



Climate Smart Communities Custom Service Strategy

Green Building Incentives for the City of Rensselaer, NY

June 2013

Background

This document was created as part of the Climate Smart Communities (CSC) program, which is a New York State initiative to help local governments reduce greenhouse gas (GHG) emissions, prepare for the effects of climate change, and save taxpayers money. The program is designed to address 10 focus areas, or “pledge elements,” outlined in the CSC pledge. In 2012, NYSERDA developed the CSC Regional Coordinator Pilot Program, to provide technical assistance to communities that have adopted the CSC pledge, including Rensselaer. The Regional Coordinator Pilot Program for the Capital Region is managed by the Capital District Regional Planning Commission, with the assistance of VHB, Inc.

On January 23, 2013, the City met with the Capital District Regional Planning Commission and VHB to discuss their existing CSC efforts and determine how to support their climate protection work. The Planning staff identified economic development as a priority in Rensselaer, specifically how to incentivize green businesses in the City. This will help the City address Pledge Element 8 of the Climate Smart Communities Program: Support a Green Innovation Economy.

Introduction

The City of Rensselaer has a rich industrial history stemming from its strategic location at a major railroad junction and along the Hudson River. However, like many other older communities across the Rust Belt, as former major industries and employers scaled back or left the area, Rensselaer’s local economy suffered. With the understanding that a truly sustainable community requires a vibrant and sustainable economy, the City is considering ways to facilitate business development and retention with a focus on promoting green operations and business practices. The following report outlines the types of green business incentives that have been utilized by various municipalities and may be replicable in Rensselaer.



Source: [2009 Digital Aerial Photography for Rensselaer County, New York](#)

What is Green Business?

Green business is typically understood as covering two categories of activity: Green Industries and Green Practices. *Green Industries* are businesses that are engaged in the development and production of goods or services that benefit the environment or conserve natural resources. The type of work performed could include research and development, installation, and maintenance for the following services:

- Energy from renewable sources



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- Energy efficiency
- Pollution reduction and removal, greenhouse gas reduction, and recycling and reuse
- Natural resources conservation
- Environmental compliance, education and training, and public awareness

Green Practices refer to actions that lessen the environmental impact of an establishment's general operations or production processes. The development or retrofit of green high-efficiency buildings could be considered as part of this category.

It is also noted that reinvesting in our urban cores, such as Rensselaer, helps to promote sustainability since these areas are more likely to have access to multi-modal transportation options, be resource efficient and have a lower per-capita carbon footprint. In addition, the reuse of existing buildings capitalizes on existing infrastructure and can reduce greenfield development pressure, helping to preserve natural resources and limiting outlays for new costly infrastructure. The incorporation of high performance building features, such as the reuse of recycled or local materials, energy-efficiency measures and renewable energy generation, can further the “green” credentials for businesses in Rensselaer.

Existing Local Resources

City of Rensselaer

There are two local entities in the City that focus on economic development: the Rensselaer Industrial Development Agency (IDA) and a Local Development Corporation (LDC). The City of Rensselaer IDA provides financial assistance in connection with property acquisition, construction and purchasing of equipment. Tools available include discretionary mortgage and sales tax exemptions, payments in lieu of taxes (PILOTs), and bonds for the tax exempt financing of business development. In addition, the IDA is able to assist eligible businesses and not-for-profits with permitting, site selection, market and demographic data. While the IDA was involved with some projects in the 1990's, recent activity has been relatively minimal. The LDC was authorized approximately four years ago, but has not yet established a strong presence. LDCs typically provide greater flexibility in project financing and development. The City is currently working to reactivate and promote the resources and assistance that are available to business through these two organizations.

The City also administers an Economic Development Loan Program that offers loans at a below-market rate to eligible businesses for real property purchase or renovation, equipment purchases, and working capital.



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Rensselaer County

The Rensselaer County Industrial Development Agency (IDA) is the primary governmental organization charged with promoting economic development within the County. The IDA has several existing programs designed to support and attract business, including sales and property tax incentives, and loans. Programs include:

- Taxable and tax-exempt bond financing and sale/leaseback transactions
- Empire Zone benefits
- Job Development Program (JDP)
- US Small Business Administration 504 Loan Program
- US Small Business Administration Prequalification Loan Program
- Machinery and Equipment Bond Program

These programs primarily provide loans or lower-cost financing for businesses generally, and are not targeted to particular types of industries or projects.

State and Federal Programs

There are a number of programs through New York State or federal agencies that specifically target Green Industry or Green Practices activity. A good summary of these programs is provided by the New York City Economic Development Corporation and is appended to this memorandum. While the document is targeted to New York City-based business and some of the identified programs are specific to New York City, the listings also include concise descriptions of various state and federal programs and financial resources that would be applicable for establishments throughout New York State. For example, the New York State Energy Research and Development Authority and the Internal Revenue Service offer a number of incentives and credits that could be utilized by businesses in Rensselaer.

Other Programs

Rensselaer Polytechnic Institute's Emerging Ventures Ecosystem (EVE) is a continuation of a long-standing incubator program. The EVE program utilizes an innovative distributed incubation model, maintaining a central office in Troy and working with each company to find a matching space in Troy and the surrounding area. Energy, environment and smart systems, and biotechnology and life sciences are two of the identified research strengths of the university that relate directly to green business.

Summary of Potential Municipal Green Business Incentives

In a most basic sense, economic development incentives should be aimed at reducing the costs to businesses of development or operation. Local governments can reduce these costs through financial or development incentives, expedited permitting, tax or fee exemptions, provision of necessary infrastructure, or in-kind services.



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As indicated above, most of the existing programs are at the county or state level and the majority of the county resources involve low-cost loans that do not specifically target green investments. There are few programs or incentives at the local level to help distinguish a Rensselaer location from other places in the state for potential businesses. However, as evidenced by actions undertaken by other communities within the region, there are other local options for incentivizing desired development. This section identifies various types of incentives that could be considered at the local level to stimulate green businesses.

Development Incentives

Incentive Zoning/Development Bonuses

Incentive zoning is a rewards-based system to encourage a specific development goal.

Typically, additional density above a zoning district's baseline is offered as an incentive or bonus in exchange for the provision of a specific defined community benefit. In New York State, the public amenities to be provided with the incentive zoning have traditionally been open space resources or affordable housing. However, incentives can also be structured to facilitate mixed-use and residential development to support downtown vibrancy or to encourage energy efficient construction.

The City of Pittsburgh zoning code's Sustainable Development Bonuses permits an additional 20% in FAR and height over the base zoning maximum for buildings that achieve LEED certification. [Click here to see Chapter 915 of the Pittsburgh zoning code.](#)

Expedited Permitting/Development Review

In some municipalities, complicated development review processes result in uncertainty and delays that have a monetary impact on applicants. A predictable and streamlined development review process can

The City of Chicago, IL has also implemented a green permit program that offers qualifying projects an expedited timeline and possible reduction of fees. [Click here to see Chicago Green Permit Program Overview.](#)

help smooth and encourage redevelopment or the incorporation of new building technologies.

The Town of Riverhead, NY has established a Fast-Track application guaranteeing a 14-day turnaround and building permit fee discount for applicants installing energy conservation devices on residential or commercial buildings. [Click here to see Section 52-10.F of Riverhead Code.](#)

Financial Incentives

Property Tax Exemptions or Abatement



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One option to incentivize the construction or retrofitting of green buildings is to exempt or abate their real property taxes for a defined period. In July 2012, New York State enacted legislation authorizing municipalities to provide exemptions for buildings meeting [Leadership in Environmental Energy and Design](#) (LEED), [Green Globes](#), [American National Standards Institute](#)¹, or equivalent green building certification standards.² Property tax abatement programs have also been used to encourage general industrial and commercial development.

Cook County, IL offers reduced real estate taxes over a 12-year period for new construction, rehabilitated facilities and reoccupancy of industrial buildings that have been vacant for two years. [Click here to see Class 6B eligibility information.](#)

The Town of Brookhaven, NY recently introduced legislation that would provide a graduated 10-year abatement schedule for new residential or business construction that meets qualified green building certification standards in accordance with the recently adopted state law. [Click here to see Chapter 65 – Article 12 of Brookhaven Code.](#)

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a mechanism for local governments to make public improvements that are intended to spur growth or redevelopment in a specific area and to use the increased property tax generation stemming from that new development to pay back the cost of the public improvements. In New York State, TIF can be authorized to promote the redevelopment of blighted areas. Although TIF has been authorized for several decades, New York State has a very limited history with TIF. Recent modifications made by the State legislature now enable school districts to participate, which may make this vehicle more attractive, as school taxes typically make up the largest proportion of the local property tax bill.

As described in [An Economic Development Toolbox: Strategies and Methods](#):

¹ Information regarding these standards available at the following websites: U.S. Green Building Council at www.usgbc.org, Green Globes at www.greenglobes.com or the American National Standard Institute at www.ansi.org.

² New York City also provides an abatement of property taxes for photovoltaic (PV) system and green roof expenditures. The abatement allows building owners to deduct a portion of the expenditures associated with installing a PV system from their total real property tax. However, this is authorized through NYS legislation for cities with population of 1 million or more, which limits abatement to systems installed within New York City.



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“TIF is a method of financing redevelopment activities directly tied to the success of those activities. The local government conducts a study of the need for TIF and prepares a plan for the area to be designated as the TIF district. The local government determines the property tax revenue collected in that area before redevelopment occurs. The local government then borrows money, by getting loans or selling bonds. The borrowed funds are used in various ways to improve the development prospects of the area:

- Construction or improvement of any publicly owned building, facility, structure, landscaping, or other improvement within the project area from which the tax increment funds were collected;
- Paying for the installation of publicly owned utilities in the project area; and
- Meeting the costs of administrative, overhead, legal, and other operating expenses of the redevelopment agency created to oversee the TIF program.

As private development occurs in the area, tax revenue increases, and the excess above pre-redevelopment property tax in the area pays off the loans or bonds and finances further redevelopment activities. That excess is the ‘tax increment’ in TIF.”³

The Pittsburgh Urban Redevelopment Authority offers lower interest rates on its loan funds for projects that achieve LEED certification. The interest rate reduction increases with the level of certification achieved and ranges from 1% to 2.5% below standard program rates. [Click here to see Pittsburgh interest rate incentives.](#)

Private Activity Bond/Industrial Development Bond

Private activity bonds are used to finance land, buildings, or equipment to develop or expand businesses. The bonds have a lower interest rate than conventional financing because they are issued by the state or local government and interest accrued may be exempt from federal and state income tax. The Rensselaer County IDA offers programs that appear to use similar type of bonds for broadly targeted economic development. It may be possible to further target this type of activity to green business development and benefits.

Revolving Loan Fund

A revolving loan fund is established with public money which is lent to the private sector for certain purposes or with specific conditions. As the money is repaid, it can then be lent to other businesses. The funds are typically used for real estate, machinery, permanent working capital, and business

³American Planning Association, An Economic Development Toolbox, Planning Advisory Service Report Number 541, 2006.



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improvements. The city currently has such a program -- its Economic Development Loan Program. This type of fund could also be established to specifically target green businesses. However, given the size of the city, it may wish to consider whether operating an additional fund may present too high of a capital and administrative burden (i.e., staff to assess quality of business plans for recipients and monitor the development to ensure the features, benefits, and job creation specified in the criteria for the loan have been met.)

Fort Devens in Massachusetts is a former military based that has been repurposed to accommodate a variety of industrial, commercial, institutional, office, residential and conservation uses. The Devens Enterprise Commission controls the site and targets employers in targeted industry clusters. The non-profit Devens Eco-Efficiency Center assists businesses to reduce operating costs and environmental impact through efficiency, reuse, and recycling. Devens also actively encourages resource and by-product exchanges among tenants (i.e., supporting industrial ecology model where one industry's waste becomes another industry's feedstock). [Click here to see more information about Devens' sustainability initiatives.](#)

Land Assembly (e.g. Technology/Eco-Business Parks)

Local government can use its power to acquire and assemble property to site desired development. In addition to assembly, the local government can provide supporting infrastructure and zoning controls to create an industrial park area designed to meet the needs of identified industries. If desired, these industries could include a focus on green businesses. Often, these types of parks are overseen by a separate redevelopment agency that is tasked with managing the park, including marketing, selling and leasing land, providing utilities and other municipal services, and offering financing or technical assistance. Environmental stewardship can be a key component of these facilities.

Seed Funding

New York City has several seed and early stage investment programs that provide funding for businesses in targeted industries. For example, the New York City Investment Fund provides equity or debt financing for businesses in cleantech, health care, information technology, media and communications, and retail and tourism. NYC Seed provides investments of up to \$200,000 for entrepreneurs looking to launch an initial product, as well as guidance and networking. The NYCEDC Entrepreneurial Investment Fund is focused on technology companies and can provide investments ranging from \$20-\$200,000 to City-based start-ups. Given the limited resources and increasingly challenging fiscal constraints for small cities such as Rensselaer, these types of programs may not be viable.



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Other Resources to Support Green Business Development

Linkage to University for Incubator

Incubators are designed to provide low-cost space and support services for start-ups in targeted industries. The incubator can help fledgling companies succeed by minimized overhead, helping to find financing, and providing managerial resources and training to avoid common mistakes. Incubators can be operated by non-profit or for-profit entities (e.g., community development corporations, IDAs, local governments or private corporations). Incubators are often linked to colleges or universities and can be targeted towards green businesses. There may be potential to explore relationships with educational institutions within the region, such as the Rensselaer Polytechnic Institute's EVE program, to provide incubator space and services that could provide internship and research opportunities for their students, while helping support local innovation and business in green industry.

CUNY SustainableWorks NYC acts as an incubator for businesses focused on sustainability-related products, technologies and services, with funding available to support companies in the proof of concept stage. NYU-Poly Brooklyn Enterprise on Science & Technology is an example of another incubator attached to educational institutions that, while not focused specifically on sustainability, supports emerging science and technology enterprises that could be involved in green business applications. [Click here to see more information about CUNY SustainableWorks NYC.](#)

Infrastructure Investment

Access to appropriate power, water, sewer, transportation and communications infrastructure is a basic business location siting attribute. This infrastructure is typically provided by a local government. Increasingly, high-speed broadband internet access is being seen as a necessary component of the infrastructure services to support business success. In 2009, the Federal Communications Commission began to develop a National Broadband Plan. "Projections from the Bureau of Labor Statistics cited in the National Broadband Plan predict that jobs depending on broadband and information and communications technology will grow by 25 percent between 2008 and 2018, or at a rate 2.5 percent faster than the average for other occupations and industries... Broadband also has increasing applications for healthcare (tele-health), education (distance learning), and government, all of which are major economic sectors."⁴

Partnership Programs

Bringing together the coordinated resources of federal and local government can be another means of targeting assistance to specific areas or industries. E3 – Economy, Energy and Environment is a coordinated federal and local technical assistance initiative that brings together partners in the

⁴ Read and Porter, "Building High Speed Communities," *Planning*, American Planning Association, March 2013,



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Environmental Protection Agency, Department of Commerce, Department of Education, Department of Labor and Small Business Administration with local technical assistance providers to perform sustainability assessments for small to medium sized manufacturers. The E3 program seeks to provide participating manufacturers with hands-on assessments of their production processes to reduce energy consumption (and its associated cost) and increase productivity. The E3 program was piloted in Columbus, OH and San Antonio, TX and has since expanded to North Carolina and the City of Milwaukee. [Click here for more information about the E3 program.](#)

Labor Force Development

An appropriately skilled labor pool is another important factor for attracting business activity. Rensselaer's location in the Capital District provides ready access to a number of four-year universities and colleges, as well as two-year community colleges. It may be possible to work with local business and these institutions to identify the instruction that provides the most pertinent skills to meet local industry needs and help direct job-seekers to the available resource. In addition, some of these institutions may be participating in SUNY's new program to deliver targeted workforce training through a grant issued as part of the federal Trade Adjustment Assistance Community College and Career Training program. For example, as indicated in the following press release, Schenectady Community College is working with the UAlbany College of Nanoscale Science & Engineering and GLOBALFOUNDRIES to develop a nanotechnology training program. [Click here to see press release about the Career Training program.](#)

Summary

There are a variety of tools that have been employed to stimulate green business activity. Examples include zoning and development incentives, tax abatements, infrastructure or industrial park development, direct business loans and grants, labor force training, and coordination of resources and enhanced partnerships with other levels of government or non-profit institutions. Some of these approaches require a substantial financial investment or a relatively long timeframe. Others can be implemented more quickly. These tools are summarized again below. Table 1 places them on an implementation spectrum: from those that would be relatively easy to implement, to those that would be more challenging.

It is suggested that Rensselaer start by investigating the "low-hanging fruit" that can be implemented with limited resources and public costs. In an era of constrained municipal fiscal resources, these are likely to be most palatable to elected officials. Starting with the more manageable projects would also allow the city to demonstrate action and elevate green business development in the consciousness of the elected officials and public in the short-term, while evaluating whether some of the more intensive approaches would be worth the time and resources necessary to implement them. Successful implementation may help build support for other types of incentives or programs that may be more



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complex or costly. The City should celebrate these successes as they strive to foster more green business development in Rensselaer.

Green Business Development Tools

Property tax abatement for buildings meeting green building certification standards. This type of incentive could be achieved through passage of a local law consistent with the state authorizing legislation. While it would have potential fiscal implications, it would not require upfront financial commitment. The city would need to consider its willingness to forego a portion of potential property tax revenue for a defined period in order to encourage this type of development.

Fast-track permitting for energy conservation devices. This type of incentive could be achieved through adjustment of the city's administrative procedures and Building Department fees. It would likely require commitment of staff time for development or modification of application forms (using examples from other cited communities as examples), but would not require other financial resources.

Incentive Zoning. Establishment of incentive zoning to support downtown development or to encourage energy efficient construction could be implemented through a zoning text amendment by the City Council. Zoning amendments are subject to the State Environmental Quality Review Act and, prior to adoption, the appropriate environmental review documentation and public hearings would be required.

Expansion of Rensselaer IDA programs or City's Economic Development Loan program to target green business development. The City and the IDA could consider establishing an additional tier(s) of lower interest rates for projects that achieve green building certification. This type of change may be able to be undertaken administratively. However, the city should consider whether it would create additional monitoring needs that would be an administrative burden (i.e., staff to assess projects and ensure the features and benefits promised have been met.)

Exploration of Partnership Opportunities. Rensselaer is located in a region rich in educational resources and institutions that are involved in business incubators and workforce training. It may be possible to establish partnerships with these institutions to help connect job-seekers to targeted workforce training and link nascent businesses to incubator space and services. This type of outreach would require only a limited up-front financial commitment, although it would need a commitment of ongoing staff time to cultivate these relationships and coordinate multiple groups of stakeholders.

Seed Funding. Given an environment of extremely limited resources, it may be difficult for small cities such as Rensselaer to operate grant or investment programs that provide direct funding. In addition to the challenge of financial resources, this type of program would require specialized staff expertise and time to review business plans, provide guidance, and perform ongoing investment monitoring.



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Infrastructure Investment (including TIF) and Land Assembly. Infrastructure improvements and land assembly require substantial up-front capital investment. As described above, TIF is a mechanism for financing infrastructure investments in targeted areas. TIF and land assembly also entail relatively involved procedural requirements and long-term time commitments. While one or more of these may be appropriate, they should be evaluated as potential long-term alternatives.

Table 1: Financing Implementation Spectrum

	Tool	Short-term	Long-term	Low-Cost	High-Cost
Implementation Expectation Less Challenging ↑ ↓ More Challenging	Property tax abatement	X		X	
	Expedited Permitting	X		X	
	Incentive Zoning		X	X	
	Loan Programs targeted to green development	X			X
	Partnership Opportunities		X	X	
	Seed Funding	X			X
	TIF		X		X
	Land Assembly		X		X
	Infrastructure		X		X