

CITY COUNCIL COMMUNICATION FORM

FROM: Winnie DelliQuadri, Assistant to the City Manager
THROUGH: Gary Suiter, City Manager
DATE: September 3, 2019
ITEM: Excise Tax and Permit Fee Exemption for Solar.

DIRECTION
 INFORMATION
 ORDINANCE
 MOTION
 RESOLUTION
 PROCLAMATION

I. REQUEST/ISSUE & BACKGROUND INFORMATION:

Issue: This item looks at a potential excise tax exemption and permit fee exemption for solar arrays within the city's code. Staff seek council direction as to whether to bring the proposed code amendment back to council for first and second reading.

Background: City council set a goal for 2019-2020 that states: "Create policy that advances environmental sustainability." At the May 14, 2019 work session on sustainability, council directed staff to bring back information and options regarding a renewable energy policy. At the July 9, 2019 work session on potential renewable energy policies, city council directed staff to bring back information on renewable energy incentives, specifically an excise tax exemption and a permit fee exemption for solar.

The total excise tax collected by the city for solar arrays over the last two years is under \$5,000. State law restricts permit fees for solar to \$500 per residential permit and \$1,000 per non-residential permit. Attachment 2 provides additional detail as to the breakdown of those fees within the Routt County Building

Department. There were a total of 8 residential and one commercial solar permits in the last two years.

STAR Framework for Greening the Energy Supply: Adopting the proposed code amendment creating an excise tax exemption and permit fee exemption for solar arrays would contribute to meeting STAR Action Step 6. The STAR program was utilized in 2015, and is being utilized currently, to conduct sustainability benchmarking for the city. Action 6 is: Create incentive programs to support the development of renewable infrastructure – including 3 of the following:

- Streamlined or expedited permitting procedures
- Permit fee waivers or reductions
- Identification of approved installers
- Local government or utility financial rebates
- Local education efforts related to state or federal incentives
- Local tax incentives
- Other local incentive program

II. SUMMARY AND ALTERNATIVES:

At the July 9, 2019 work session, council directed staff to move forward with providing incentives for the development of solar in the community, specifically through exempting solar arrays from permit fees and excise tax. The Legal Department has drafted a proposed code amendment exempting solar projects from the city's excise tax and building permit fees, which is shown as Attachment 1.

It is important to note that the ordinance would not exempt solar projects from the building use tax.

III. STAFF RECOMMENDATION:

Staff seek council's direction to bring the proposed code amendment to council for first and second reading of an ordinance.

IV. FISCAL IMPACT:

Future fiscal impact cannot be completely predicted, however is expected to be small based on the history of development of solar arrays in the community. There were a total of 9 solar permits in the last two years. The total excise tax collected by the city for solar arrays over the last two years is under \$5,000. State law restricts permit fees for solar to \$500 per residential permit and \$1,000 per non-residential permit, which limits the total financial impact of the proposed permit fee exemption.

V. LEGAL ISSUES:

The City's Legal Department has drafted the attached code language.

VI. CONFLICTS OR ENVIRONMENTAL ISSUES:

The Routt County Building Department is aware of the proposed ordinance and feels that it can be easily implemented. The incentives will have a negative impact on city revenues, however would have a positive environmental impact in the long run.

VII. CONSISTENCY WITH COUNCIL GOALS AND POLICIES:

This item specifically relates to council's Environmental Sustainability goal: Create policy that advances environmental sustainability objectives. It also relates to the environmentally sustainable portion of the city's vision and to the safe environment portion of the city's mission.

ATTACHMENTS:

Attachment 1: Proposed Ordinance exempting solar from excise tax and building permit fees.

Attachment 2: Routt County Building Department Policy regarding solar permit fees.