

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR

Senate

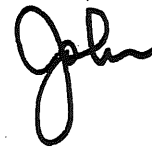
State of Minnesota

**S.F. No. 2702 - Unemployment and Dislocated Worker
Benefits for Certain Persons**

Author: Senator Ellen R. Anderson

Prepared by: John C. Fuller, Senate Counsel (651/296-3914)

Date: March 6, 2006



This bill addresses the receipt of unemployment benefits and dislocated worker program benefits for certain employees involved in labor disputes for which an unemployment law judge decision was issued in 2005. This would include the Northwest Airlines mechanics' strike.

Section 1 provides that an employee need not repay unemployment benefits received pursuant to an award in 2005 in a case involving a labor dispute if that award is subsequently reversed on appeal by the Minnesota Court of Appeals or the Minnesota Supreme Court.

Section 2 provides that an employee whose case was ordered to hearing without an initial determination in 2005 and the case involved a labor dispute is not ineligible for benefits because of a state law providing that strikers are not eligible for unemployment benefits.

Section 2 explicitly provides that it is consistent with prior court decisions and is not intended to overrule any court decision interpreting the law respecting the disqualification of strikers from the receipt of unemployment benefits.

Section 3 provides that those employees who are subject to the terms of section 2 are eligible for dislocated worker programs under Minnesota Statutes, section 116L.17. That section generally requires a person to be unemployed for purposes of eligibility for dislocated worker programs. The Commissioner of Employment and Economic Development is given discretionary authority to waive dislocated worker program requirements for these individuals if the Commissioner determines that the employee's cessation of work was due to unique facts and justifies a waiver. The waiver includes the authority to make retroactive payments for training expenses on an individual basis.

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 2702:** A bill for an act relating to employment; regulating eligibility for
1.4 unemployment and dislocated worker benefits.

1.5 Reports the same back with the recommendation that the bill do pass. Report
1.6 adopted.

1.7 
1.8 (Committee Chair)

1.9 March 8, 2006
1.10 (Date of Committee recommendation)

Senators Anderson, Metzen, Marko and Chaudhary introduced--

S.F. No. 2702: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act relating to employment; regulating eligibility for unemployment and dislocated worker benefits.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. LABOR DISPUTE; OVERPAYMENTS.

If an unemployment law judge decision issued in 2005 awards unemployment benefits in a case involving a labor dispute, any unemployment benefits paid to the applicant shall not be considered an overpayment under Minnesota Statutes, section 268.18, subdivision 1, if the unemployment law judge's award of unemployment benefits is reversed by the Minnesota Court of Appeals or the Supreme Court of Minnesota.

Sec. 2. LABOR DISPUTE; BENEFITS.

An applicant for unemployment benefits in a case involving a labor dispute whose case was ordered to hearing by the commissioner in 2005 without an initial determination shall not be ineligible for unemployment benefits because of participation in a labor dispute notwithstanding Minnesota Statutes, section 268.085, subdivision 13b. This section is consistent with and is not intended to overrule any Minnesota Supreme Court precedent interpreting Minnesota Statutes, section 268.085, subdivision 13b.

Sec. 3. DISLOCATED WORKER PROGRAM; ELIGIBILITY.

(a) An individual whose claim for unemployment benefits is subject to section 2 is deemed a dislocated worker for purposes of the dislocated worker program contained in Minnesota Statutes, section 116L.17. This paragraph is in addition to any other law providing a basis for eligibility for dislocated worker program benefits.

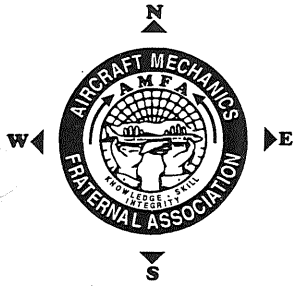
2.1 (b) The commissioner of employment and economic development may waive
2.2 dislocated worker program requirements for individuals described in paragraph (a) if the
2.3 commissioner determines that the unique facts of an employee's work cessation justifies a
2.4 waiver. The waiver includes the authority to make retroactive payments for training
2.5 expenses incurred or obligated for prior to the time the individual was eligible for the
2.6 program. The waivers shall be granted on an individual basis.

2.7 **Sec. 4. EFFECTIVE DATE; APPLICATION.**

2.8 Section 1 is effective the day following final enactment and applies to unemployment
2.9 benefits awarded pursuant to a hearing held in calendar year 2005. Section 2 is effective
2.10 the day following final enactment, is retroactive to January 29, 2006, and applies to cases
2.11 ordered to hearing by the commissioner of employment and economic development in
2.12 2005. Section 3 is effective the day following final enactment.

1.1 Senator moves to amend S.F. No. 2702 as follows:

1.2 Page 1, line 10, after the period, insert "Notwithstanding Minnesota Statutes, section
1.3 268.045, application of this section to unemployment benefits paid an applicant shall not
4 result in the unemployment benefits paid being used in computing the future experience
1.5 rating of any specific employer."



AIRCRAFT MECHANICS FRATERNAL ASSOCIATION ✈️ LOCAL 33

8101 34th Av S • Suite 380 • Bloomington, MN 55425
(P) 952 224-5410 • (F) 952 224-5436 • www.amfa33.org

Key Points on Northwest Mechanics' Benefits

- Cleaners and custodians were given UI benefits because they were considered “locked out” because of the severe 26% pay cut.
- Eligibility for UI benefits is consistent with legal precedents when union members are faced with such a large pay cut.
- Since 9/11, Minnesota Local 33 has lost 50% of its workforce.
 - At least 2000 members had lost their jobs before the strike (since 2001).
- Northwest Airlines wanted to permanently furlough another 53% of our workforce when we went on strike. The remaining people would have taken a 26% pay cut.
 - That is a total of 75% of our workforce who have lost their jobs.
 - In 2000, we had over 9500 mechanics. Today there are 800 NWA mechanics.
- New ID badges were issued to all NWA employees except AMFA members one week before the strike deadline. ID badges are required to enter the NWA property.
- There are no jobs left at NWA for us to work, as reported by NWA.
- The Legislature helped NWA in mid-nineties, why not help the employees now?
- We estimate that between 800 – 1100 people would need benefits.
 - 3000 people went on strike in Minnesota, but many have retired or moved away.
- We have no access to our 401k accounts unless we resign from NWA.
- NWA mechanics in other states are eligible for UI and retraining benefits.

Contact: Ted Ludwig 651-238-0358

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JO ANNE ZOFF SELLNER
DIRECTOR

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State of Minnesota

**S.F. No. 2705 - Department of Employment and Economic
Development (DEED) Housekeeping Bill**

Author: Senator David H. Senjem

Prepared by: John C. Fuller, Senate Counsel (651/296-3914)

Date: March 6, 2006



OVERVIEW

This bill is a technical and housekeeping bill for various programs administered by the Department of Employment and Economic Development.

Section 1 allows Explore Minnesota Tourism to appoint additional unclassified positions within the agency in accordance with the law governing the creation of those positions within state agencies. Explore Minnesota Tourism was spun off from the Department of Employment and Economic Development and the legislation providing for the spin-off neglected to provide for a continuation of unclassified position appointing authority previously possessed by the former Division of Tourism. The creation of additional positions must comply with criteria set in law and receive approval of the Commissioner of Employee Relations.

Section 2 provides explicit statutory authority to the department to provide services to small businesses seeking access to certain federal funding programs and to collect fees for those services. The department is currently engaged in these activities.

Sections 3 to 5 remove a cap on spending for pre-employment training for grants made by the Job Skills Partnership Board under its regular program, Pathways Program, and Health Care Worker Program, respectively.

Section 6 provides that the executive director of the Public Facilities Authority be in the unclassified service.

JCF:cs

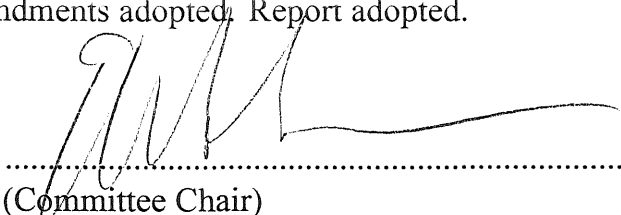
1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 2705:** A bill for an act relating to economic development; making technical
1.4 and housekeeping changes to programs in the Department of Employment and Economic
1.5 Development; requiring the commissioner of employment and economic development
1.6 to assist small businesses with accessing certain federal funds; requiring the department
1.7 to implement certain fees for services; appropriating the revenue from fees; amending
1.8 Minnesota Statutes 2004, sections 43A.08, subdivision 1a; 116L.04, subdivisions 1,
1.9 1a; 116L.12, subdivision 4; 446A.03, subdivision 5; proposing coding for new law in
1.10 Minnesota Statutes, chapter 116J.

1.11 Reports the same back with the recommendation that the bill be amended as follows:

1.12 Page 2, line 20, delete "11" and insert "eligible"

1.13 And when so amended the bill do pass and be re-referred to the Committee on State
1.14 and Local Government Operations. Amendments adopted. Report adopted.

1.15 
1.16
(Committee Chair)

1.17 March 8, 2006
1.18 (Date of Committee recommendation)

Senators Senjem and Kubly introduced--

S.F. No. 2705: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to economic development; making technical and housekeeping changes to programs in the Department of Employment and Economic Development; requiring the commissioner of employment and economic development to assist small businesses with accessing certain federal funds; requiring the department to implement certain fees for services; appropriating the revenue from fees; amending Minnesota Statutes 2004, sections 43A.08, subdivision 1a; 116L.04, subdivisions 1, 1a; 116L.12, subdivision 4; 446A.03, subdivision 5; proposing coding for new law in Minnesota Statutes, chapter 116J.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 43A.08, subdivision 1a, is amended to read:

Subd. 1a. **Additional unclassified positions.** Appointing authorities for the following agencies may designate additional unclassified positions according to this subdivision: the Departments of Administration; Agriculture; Commerce; Corrections; Education; Employee Relations; Employment and Economic Development; Explore Minnesota Tourism; Finance; Health; Human Rights; Labor and Industry; Natural Resources; Public Safety; Human Services; Revenue; Transportation; and Veterans Affairs; the Housing Finance and Pollution Control Agencies; the State Lottery; the state Board of Investment; the Office of Administrative Hearings; the Office of Environmental Assistance; the Offices of the Attorney General, Secretary of State, and State Auditor; the Minnesota State Colleges and Universities; the Higher Education Services Office; the Perpich Center for Arts Education; and the Minnesota Zoological Board.

A position designated by an appointing authority according to this subdivision must meet the following standards and criteria:

(1) the designation of the position would not be contrary to other law relating specifically to that agency;

2.1 (2) the person occupying the position would report directly to the agency head or
 2.2 deputy agency head and would be designated as part of the agency head's management
 2.3 team;

2.4 (3) the duties of the position would involve significant discretion and substantial
 2.5 involvement in the development, interpretation, and implementation of agency policy;

2.6 (4) the duties of the position would not require primarily personnel, accounting, or
 2.7 other technical expertise where continuity in the position would be important;

2.8 (5) there would be a need for the person occupying the position to be accountable to,
 2.9 loyal to, and compatible with, the governor and the agency head, the employing statutory
 2.10 board or commission, or the employing constitutional officer;

2.11 (6) the position would be at the level of division or bureau director or assistant
 2.12 to the agency head; and

2.13 (7) the commissioner has approved the designation as being consistent with the
 2.14 standards and criteria in this subdivision.

2.15 **Sec. 2. [116J.656] SMALL BUSINESS ACCESS TO FEDERAL RESEARCH**
 2.16 **FUNDS.**

2.17 (a) The commissioner shall assist small businesses to access federal funds through
 2.18 the federal Small Business Innovation Research program and the Small Business
 2.19 Technology Transfer program. In providing this assistance, the commissioner shall
 2.20 maintain connections to 11 federal programs, assess specific funding opportunities, review
 2.21 funding proposals, provide referrals to specific consulting services, and hold training
 2.22 workshops throughout the state.

2.23 (b) Unless prohibited by federal law, the department must implement fees for
 2.24 services that help companies seek federal Phase II Small Business Innovation Research
 2.25 grants. The fees must be deposited in a special revenue account and are annually
 2.26 appropriated to the department for the Small Business Innovation Research and Small
 2.27 Business Technology Transfer programs.

2.28 **Sec. 3. Minnesota Statutes 2004, section 116L.04, subdivision 1, is amended to read:**

2.29 **Subdivision 1. Partnership program.** (a) The partnership program may provide
 2.30 grants-in-aid to educational or other nonprofit educational institutions using the following
 2.31 guidelines:

2.32 (1) the educational or other nonprofit educational institution is a provider of training
 2.33 within the state in either the public or private sector;

2.34 (2) the program involves skills training that is an area of employment need; and

3.1 (3) preference will be given to educational or other nonprofit training institutions
 3.2 which serve economically disadvantaged people, minorities, or those who are victims of
 3.3 economic dislocation and to businesses located in rural areas.

3.4 (b) A single grant to any one institution shall not exceed \$400,000. ~~Up to 25 percent~~
 3.5 ~~of a grant may be used for preemployment training.~~

3.6 Sec. 4. Minnesota Statutes 2004, section 116L.04, subdivision 1a, is amended to read:

3.7 Subd. 1a. **Pathways program.** The pathways program may provide grants-in-aid
 3.8 for developing programs which assist in the transition of persons from welfare to work and
 3.9 assist individuals at or below 200 percent of the federal poverty guidelines. The program
 3.10 is to be operated by the board. The board shall consult and coordinate with program
 3.11 administrators at the Department of Employment and Economic Development to design
 3.12 and provide services for temporary assistance for needy families recipients.

3. Pathways grants-in-aid may be awarded to educational or other nonprofit training
 3.14 institutions for education and training programs and services supporting education and
 3.15 training programs that serve eligible recipients.

3.16 Preference shall be given to projects that:

- 3.17 (1) provide employment with benefits paid to employees;
- 3.18 (2) provide employment where there are defined career paths for trainees;
- 3.19 (3) pilot the development of an educational pathway that can be used on a continuing
 3.20 basis for transitioning persons from welfare to work; and
- 3.21 (4) demonstrate the active participation of Department of Employment and
 3.22 Economic Development workforce centers, Minnesota State College and University
 3.23 institutions and other educational institutions, and local welfare agencies.

3.24 Pathways projects must demonstrate the active involvement and financial
 3.25 commitment of private business. Pathways projects must be matched with cash or in-kind
 3.26 contributions on at least a one-to-one ratio by participating private business.

3.27 A single grant to any one institution shall not exceed \$400,000. ~~Up to 25 percent of~~
 3.28 ~~a grant may be used for preemployment training.~~

3.29 Sec. 5. Minnesota Statutes 2004, section 116L.12, subdivision 4, is amended to read:

3.30 Subd. 4. **Grants.** Within the limits of available appropriations, the board shall make
 3.31 grants not to exceed \$400,000 each to qualifying consortia to operate local, regional, or
 3.32 statewide training and retention programs. Grants may be made from TANF funds, general
 3.33 fund appropriations, and any other funding sources available to the board, provided the
 3.34 requirements of those funding sources are satisfied. ~~Up to 25 percent of a grant may~~

4.1 ~~be used for preemployment training.~~ Grant awards must establish specific, measurable
4.2 outcomes and timelines for achieving those outcomes.

4.3 Sec. 6. Minnesota Statutes 2004, section 446A.03, subdivision 5, is amended to read:

4.4 Subd. 5. **Executive director.** The commissioner shall employ, with the concurrence
4.5 of the authority, an executive director in the unclassified service. The director shall
4.6 perform duties that the authority may require in carrying out its responsibilities.

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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

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S.F. No. 2662 - Blighted Property Remedies

Author: Senator Linda Higgins

Prepared by: John C. Fuller, Senate Counsel (651/296-3914)

JCF

Date: March 6, 2006

S.F. No. 2662 provides for a legal process that a nonprofit housing organization may use to acquire possession and possibly ownership of nuisance property that has been unoccupied for at least one year and that is suitable for low- or moderate-income housing.

Section 1 contains definitions.

Subdivision 4 defines a nuisance as a property that constitutes a public nuisance, is blighted, or is not fit for human habitation under applicable codes. Nuisance is also defined to include property on which certain criminal or gang activity occurs.

Section 2, subdivision 1, authorizes a nonprofit housing organization to, with proper notice to the owner, petition a district court for temporary possession of nuisance property that has been continuously unoccupied for at least one year for temporary possession of the property for purposes of rehabilitating it for low- and moderate-income housing.

Subdivision 2 requires the housing organization to propose a plan of rehabilitation and to demonstrate that it has adequate resources to implement the plan. Parties with an interest in the property, including creditors and the owners, may submit their own rehabilitation plan and must be given time to carry out their plan if the plan appears reasonably designed to correct code violations.

Section 3 authorizes the district court to enter an order granting temporary possession to the housing organization to carry out its rehabilitation plan.

Section 4 requires the housing organization to file various reports with the court concerning its rehabilitation work and income and expenses connected with the property. The reports must be filed at least annually.

Section 5 grants the owner of the property the right to petition the court for restoration of possession. The owner must pay the housing organization for its expenses related to the house and for any increase in value less any rental or other income the housing organization received from the property.

Section 6 grants the housing organization the same rights to redeem a property after a sale for taxes as are possessed by an owner.

Section 7 grants authority to the district court to transfer ownership of the property to the housing organization upon proper notice to the owner if the owner has taken no action with respect to the property within two years of the order temporarily granting possession to the housing organization.

JCF:cs

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

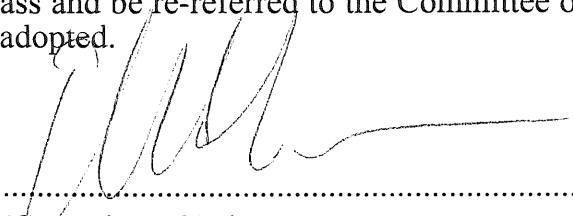
1.3 **S.F. No. 2662:** A bill for an act relating to housing; creating a blighted housing
1.4 rehabilitation program; providing for transfer of possession or ownership of nuisance
1.5 properties to nonprofit housing organizations; proposing coding for new law in Minnesota
1.6 Statutes, chapter 463.

1.7 Reports the same back with the recommendation that the bill be amended as follows:

1.8 Page 1, line 18, after the period, insert "Nonprofit housing organization includes a
1.9 church, or convention or association of churches, or an organization operated primarily
1.10 for religious purposes that is operated, supervised, controlled, or principally supported
1.11 by a church or convention or association of churches described in United States Code,
1.12 title 26, section 501(c)(3), of the federal Internal Revenue Code and exempt from income
1.13 tax under section 501(a)."

1.14 Amend the title accordingly

1.15 And when so amended the bill do pass and be re-referred to the Committee on
1.16 Judiciary. Amendments adopted. Report adopted.


.....
(Committee Chair)

1.19 March 8, 2006
1.20 (Date of Committee recommendation)

Senators Higgins and Anderson introduced—

S.F. No. 2662: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

1.2 relating to housing; creating a blighted housing rehabilitation program; providing
1.3 for transfer of possession or ownership of nuisance properties to nonprofit
1.4 housing organizations; proposing coding for new law in Minnesota Statutes,
1.5 chapter 463.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. [463.270] DEFINITIONS.

1.8 Subdivision 1. Scope. As used in sections 463.270 to 463.276, the terms defined in
1.9 this section have the meanings given them.

1.10 Subd. 2. Last known address. "Last known address" includes the address where
1.11 the property is located or the address as listed in the tax records.

1.12 Subd. 3. Low- or moderate-income housing. "Low- or moderate-income housing"
1.13 means housing for persons and families whose income does not exceed 80 percent of the
1.14 greater of state median income or area or county median income as determined by the
1.15 federal Department of Housing and Urban Development.

1.16 Subd. 4. Nonprofit housing organization. "Nonprofit housing organization" or
1.17 "organization" means a nonprofit corporation organized under chapter 317A or similar law
1.18 of another state that has as one of its purposes the improvement of housing.

1.19 Subd. 5. Nuisance. "Nuisance" means any property that because of its physical
1.20 condition or use is a public nuisance, or any property that constitutes a blight on the
1.21 surrounding area, or any property that is not fit for human habitation under the applicable
2 fire, building, and housing codes. Nuisance also means any property on which any illegal
1.23 activity involving controlled substances as defined in section 152.01, subdivision 4, or
1.24 marijuana takes place or any property on which any illegal activity by a criminal gang,
1.25 as defined in section 609.229, subdivision 1, takes place.

2.1 Subd. 6. Parties in interest. "Parties in interest" means any owner or owners of
2.2 record, judgment creditor, tax purchaser, or other party having any legal or equitable
2.3 title or interest in the property.

2.4 Subd. 7. Property. "Property" means any residential real estate that has been
2.5 continuously unoccupied by persons legally in possession for the preceding year.

2.6 Subd. 8. Rehabilitation. "Rehabilitation" means the process of improving the
2.7 property including, but not limited to, bringing property into compliance with applicable
2.8 fire, housing, and building codes.

2.9 **Sec. 2. [463.271] PETITION FOR TEMPORARY POSSESSION.**

2.10 Subdivision 1. General requirements. (a) A nonprofit housing organization may
2.11 bring a petition for temporary possession of property if:

2.12 (1) the property has been continuously unoccupied by persons legally in possession
2.13 for the preceding year;

2.14 (2) the property is a nuisance;

2.15 (3) the organization intends to rehabilitate the property and use the property as
2.16 housing for low- and moderate-income persons and families; and

2.17 (4) the organization has sent notice to the parties in interest of the property, by
2.18 certified or registered mail, mailed to their last known address and posted on the property
2.19 at least 30 but not more than 60 days before the date the petition is brought, of the
2.20 organization's intent to bring a petition for possession under section 463.272.

2.21 (b) A proceeding under this section may be commenced as a civil action in
2.22 district court in the county in which the property is located. The petition must allege
2.23 the conditions specified in paragraph (a). All parties in interest of the property must be
2.24 named as respondents in the petition. Before a hearing on the petition, the petitioner shall
2.25 record a notice of the pendency of the petition with the county recorder or the registrar
2.26 of titles in the case of registered property.

2.27 Subd. 2. Hearing. (a) At the hearing on the petition, the organization shall submit
2.28 to the court a plan for the rehabilitation of the property and present evidence that the
2.29 organization has adequate resources to rehabilitate and manage the property. For the
2.30 purpose of developing a plan, representatives of the organization may be permitted entry
2.31 onto the property by the court at times and on terms as the court deems appropriate.

2.32 (b) Upon request, the court shall grant a respondent 120 days to bring the property
2.33 into compliance with applicable fire, housing, and building codes, provided that the
2.34 respondent submits a plan to the court that is reasonably sufficient for these purposes. The
2.35 court may, for good cause shown, extend the compliance period. If the property is brought

3.1 into compliance within the compliance period, the court shall dismiss the petition. If the
 3.2 respondent fails to bring the property into compliance within the compliance period, the
 3.3 court shall consider the petition.

3.4 **Sec. 3. [463.272] REHABILITATION ORDER.**

3.5 If the court approves the petition, the court shall enter an order approving the
 3.6 rehabilitation plan and granting temporary possession of the property to the organization.
 3.7 The organization may, subject to court approval, enter into leases or other agreements in
 3.8 relation to the property.

3.9 **Sec. 4. [463.273] ANNUAL REPORT.**

3.10 The organization shall file an annual report with the court in relation to the
 3.11 rehabilitation and use of the property. The court shall require reports and status updates to
 3.12 be filed as it deems appropriate under the circumstances but no less frequently than once
 3.13 per year. The report shall include statements of all expenditures made by the organization
 3.14 including, but not limited to, payments for the rehabilitation, operation, and maintenance
 3.15 of and repairs to the property, and for real estate taxes, and payments to mortgagees and
 3.16 lienholders during the preceding year, and shall include statements of all income and
 3.17 receipts from the property for the preceding year.

3.18 **Sec. 5. [463.274] RIGHTS OF OWNER.**

3.19 An owner is entitled to regain possession of the property by petitioning to the court
 3.20 for restoration of possession and, upon due notice to the organization, for a hearing on the
 3.21 petition. At the hearing, the court shall determine proper compensation to the organization
 3.22 for its expenditures, including management fees, based on the organization's reports to
 3.23 the court. The court, in determining the proper compensation to the organization, may
 3.24 consider income or receipts received from the property, and the increase in the market
 3.25 value of the property resulting from the rehabilitation by the organization. In no event
 3.26 shall the amount paid be less than the amount spent by the organization plus management
 3.27 fees and interest. After the owner pays the compensation to the organization as determined
 3.28 by the court, the owner shall resume possession of the property, subject to all existing
 3.29 rental agreements, whether written or verbal, entered into by the organization.

3.30 **Sec. 6. [463.275] PROPERTY REDEMPTION.**

3.31 If the property is sold for unpaid taxes, an organization with temporary possession
 3.32 may redeem the property in the same manner as the owner is permitted, and amounts paid

4.1 to redeem the property shall be included as expenditures in the organization's report to
4.2 the court.

4.3 Sec. 7. **[463.276] PETITION FOR TRANSFER OF OWNERSHIP.**

4.4 If an owner takes no action to regain possession of the property in the two-year
4.5 period following entry of an order granting temporary possession of the property to the
4.6 organization, the organization may file a petition for an order transferring ownership of
4.7 the property to the organization. Upon due notice to the named respondents, an order
4.8 may be entered transferring ownership to the organization. The order must specify that
4.9 the property be used for low- and moderate-income housing for at least a ten-year period
4.10 after the order is entered.

1.1 Senator moves to amend S.F. No. 2662 as follows:

1.2 Page 1, line 18, after the period, insert "Nonprofit housing organization includes a
1.3 church, or convention or association of churches, or an organization operated primarily
1.4 for religious purposes that is operated, supervised, controlled, or principally supported
1.5 by a church or convention or association of churches described in United States Code,
1.6 title 26, section 501(c)(3), of the federal Internal Revenue Code and exempt from income
1.7 tax under section 501(a)."



Vacant Properties

The True Costs to Communities



National Vacant Properties Campaign
CREATING OPPORTUNITY FROM ABANDONMENT

© August 2005

Acknowledgements

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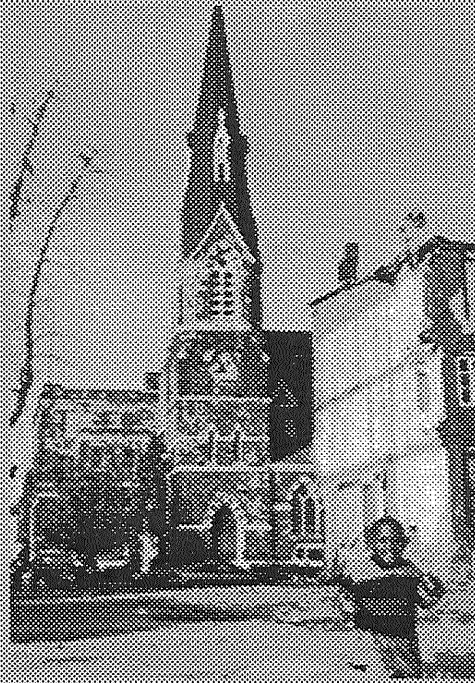
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National Vacant Properties Campaign

1707 L Street, NW Suite 1050 Washington, DC 20036 www.vacantproperties.org

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WHAT ARE VACANT PROPERTIES?

The National Vacant Properties Campaign (NVPC) defines vacant properties as residential, commercial, and industrial buildings and vacant lots that exhibit one or both of the following traits:

- ⊕ The site poses a threat to public safety (meeting the definition of a public nuisance), or
- ⊕ The owners or managers neglect the fundamental duties of property ownership (e.g., they fail to pay taxes or utility bills, default on mortgages, or carry liens against the property.)

Vacant properties can include abandoned, boarded-up buildings, unused lots that attract trash and debris, vacant or under-performing commercial properties known as greyfields (such as under-leased shopping malls and strip commercial properties), and neglected industrial properties with environmental contamination known as brownfields. The NVPC also monitors deteriorating single-family homes, apartments with significant housing code violations, and housing that remains vacant for long periods of time, as these are indicators of future vacancy and abandonment. State laws and uniform building codes further refine what constitutes an abandoned building, but these vary from jurisdiction to jurisdiction. Often these structures have been unoccupied for over a year, are beyond repair, and pose serious danger to public safety.

Executive Summary

By all accounts, vacant properties are a curse. Just ask anyone who lives next to a drug den, a boarded-up firetrap or a trash-filled lot. But abandonment often seems beyond the control of local officials, and it rarely incites a sense of urgency beyond the neighbors on the block where it occurs.

But the evidence shows that vacant properties are an expense that local governments simply cannot afford - and that the expense grows with every year a property remains vacant or abandoned. Such properties produce no or little property tax income, but they require plenty of time, attention, and money:

- ⊙ A study in Austin, Texas found that “blocks with unsecured [vacant] buildings had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls” as blocks without vacant buildings.¹
- ⊙ More than 12,000 fires break out in vacant structures each year in the US, resulting in \$73 million in property damage annually. Most are the result of arson.²
- ⊙ Over the past five years, St. Louis has spent \$15.5 million, or nearly \$100 per household, to demolish vacant buildings. Detroit spends \$800,000 per year³ and Philadelphia spends \$1,846,745 per year cleaning vacant lots.⁴
- ⊙ A 2001 study in Philadelphia found that houses within 150 feet of a vacant or abandoned property experienced a net loss of \$7,627 in value.⁵

The aim of this report is to summarize the many and varied costs that vacant and abandoned properties impose upon communities. It compiles research from across the country quantifying a wide variety of costs, including city services (nuisance abatement, crime and fire prevention), decreased property values and tax revenues, as well as the costs born by homeowners and the issue of the spiral of blight.

This report also includes some good news: communities are finding ways to recapture the value in vacant properties, bringing vitality back to once blighted neighborhoods. These communities are providing valuable lessons for us all, and many of the most successful practices are being replicated throughout the country.

Introduction

The places with the most well known vacant property problems are older industrial cities in the Midwest and Northeast. One leading expert has estimated that roughly ten percent of residential structures are vacant in Camden (NJ), Baltimore, and Detroit.⁶ But with sprawl pushing new development to the edges of many communities, even growing metropolitan areas such as San Diego and Las Vegas pay the costs of vacant and abandoned properties. The Brookings Institution found that in 60 cities with populations over 100,000, there are an average of two vacant buildings for every 1,000 residents⁷ (see table below).

Region	Number of Cities Reporting Abandoned Property Data	Average % of Vacant Land to Total Area	Average Number of Abandoned Structures per 1,000 Inhabitants
Northeast	7	6.5	1.47
Midwest	10	11.1	1.6
South	20	17.1	2.35
West	23	17.7	1.92
All Regions	60	14.5	2.03

Source: Pagano & Bowman p. 7

Properties are often abandoned as a result of metropolitan-wide trends, such as sprawling development, consumer preference, job loss, and demographic shifts. But on an individual level, the most common reason a property is abandoned is that the cost of maintenance and operation exceeds the apparent value of the property. This occurs regardless of “whether the market is intrinsically capable of supporting continued use of the property, or whether market inefficiencies, or inadequate and inaccurate information, lead property owners to that conclusion.”⁸ Most importantly for cities facing abandonment problems, the longer a property remains abandoned, the higher the cost of renovation. This leads to continued abandonment even when market conditions have dramatically improved.

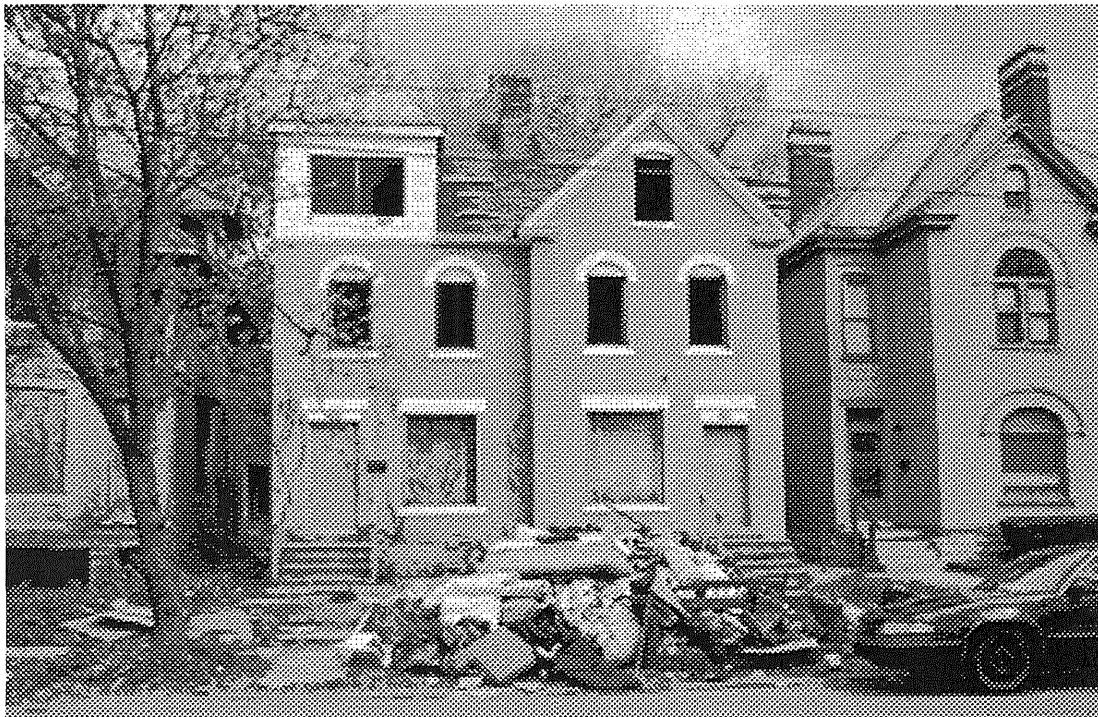
Cities must address the increasing number of vacant properties, not only because of the negative impact they have on the surrounding community, but because of the numerous costs they impose. They strain the resources of local police, fire, building, and health departments, depreciate property values, reduce property tax revenue, attract crime, and degrade the quality of life of remaining residents. In summary, vacant and abandoned properties “act as a significant fiscal drain on already strapped municipalities, requiring disproportionate municipal resources, while providing little or no tax revenue to municipal coffers.”⁹

Costs of Municipal Services

Vacant properties have been neglected by their owners, leaving it up to city governments to keep them from becoming crime magnets, fire hazards, or dumping grounds. In some communities, attending to vacant and abandoned properties can overwhelm city resources. The police and fire departments bear the brunt of the responsibility, along with building inspection and code enforcement units. But most municipalities have staff from several departments addressing the care of vacant properties: legal offices, public works, housing, and real estate services all deal with vacant properties. In Philadelphia, at least fifteen public agencies, not including the police and fire departments, have a role in the management of public land.¹⁰ Vacant property management also demands coordination among local governments, such as county health departments, tax collectors and assessors.

Crime

Vacant properties often become a breeding ground for crime, tying up an inordinate amount of police resources. The City of Richmond, VA conducted an analysis of citywide crime data from the mid-90s. Of all the economic and demographic variables tested, vacant/abandoned properties had the highest correlation to the incidence of crime.¹¹ Another study focusing on crime in abandoned buildings in Austin, Texas found that crime rates on blocks with open abandoned buildings were twice as high as rates on matched blocks without open buildings. The survey also found that "41 percent of abandoned buildings could be entered without use of force; of these open buildings, 83 percent showed evidence of illegal use by prostitutes, drug dealers, property criminals, and others.



Even if 90 percent of the crimes prevented are merely displaced to the surrounding area, securing abandoned buildings appears to be a highly cost-effective crime control tactic for distressed neighborhoods.”¹²

A crime-prevention tactic that has gotten much attention in recent years is directly related to vacant, neglected, and abandoned property. According to George Kelling and James Q. Wilson, “The Broken Window Theory” holds that “If the first broken window in a building is not repaired, then people who like breaking windows will assume that no one cares about the building and more windows will be broken... The disorder escalates, possibly to serious crime.” Wilson and Kelling suggest that it is the nature of the physical environment that leads to an increase in criminal activity.¹³

While the monetary costs of addressing the crime associated with abandoned buildings has not been calculated, it is clear that vacant properties burden police departments.

Neighborhoods in Bloom Fights Crime

Neighborhoods in Bloom focuses on vacant and abandoned properties through the Neighborhoods in Bloom (NIB) program, resulting in a 28 percent drop in crime rates. The initiative launched in 2007 to help distressed urban neighborhoods to restore physical integrity and improve neighborhood stability, including addressing vacant and abandoned property to increasing home ownership rates. Bringing together multiple stakeholders – city council, city staff, community development corporations, neighborhood residents, and private developers – has been an important part of the program’s success. In the first three years of the initiative, the targeted neighborhoods experienced a 28 percent reduction in crime, compared to a 6 percent reduction in

Arson and Accidental Fires

In 1999, firefighters in Worcester, Massachusetts entered a vacant cold storage building that was aflame to search for a homeless couple reported to have been in the building. Two firefighters became disoriented, and others went to their aid. Six became trapped and died in the fire. The homeless couple had left the premises after the fire began.¹⁶ The firefighters’ deaths became national news as one of the major costs of vacant properties became all too clear.

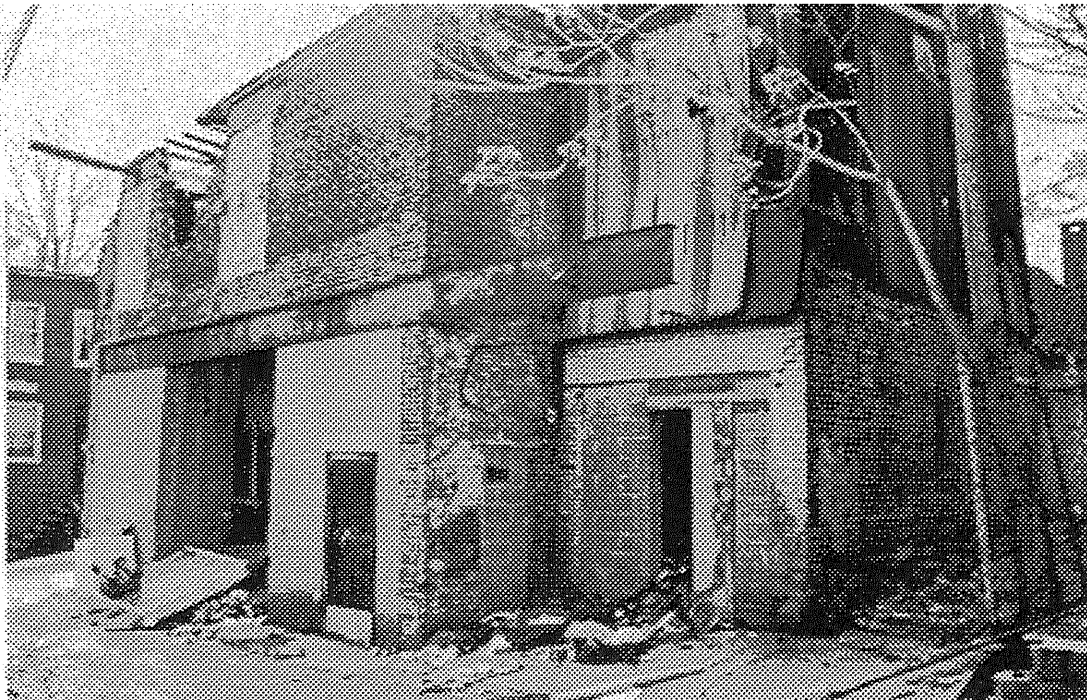
The US Fire Administration reports that over 12,000 fires in vacant structures are reported each year in the US, resulting in \$73 million in property damage annually. Fires are likely in vacant properties because of poor maintenance, faulty wiring, and debris. In the winter, homeless people burn candles for light and heat and may even bring in outdoor grills. But more importantly, vacant buildings are a primary target of arsonists. More than 70 percent of fires in vacant or abandoned buildings are arson or suspected arson. Such fires strain the resources of fire departments. Because vacant buildings often contain more open shafts, pits, and holes that can be an invisible threat to firefighters, the cost of fighting those fires is more than financial. The National Fire Protection Association (NFPA) estimates that 6,000 firefighters are injured every year in vacant or abandoned building fires.¹⁷

Public Nuisances and Health

Vacant and abandoned properties require a disproportionate amount of public maintenance. In addition to securing buildings against criminal activity, local governments must clean and care for them to prevent a buildup of trash, illegal dumping, and rodent infestations. In some cases, abandoned properties contain toxic waste, particularly in the case of abandoned industrial buildings.¹⁸

Most municipalities have adopted ordinances that allow them to clean, board, and secure abandoned buildings. For example, in Roanoke, Virginia, the city has taken a tougher stance on properties deemed health and safety hazards. If a property is deemed a hazard by the city the owner is given thirty days to ameliorate the problem. If no action is taken, the city will solicit input from the neighborhood, do asbestos and lead abatement, solicit demolition bids, raze the house, and place a lien on the property to try to recoup the demolition costs.¹⁹

Cities spend significant funds on these activities. "In Trenton, New Jersey during the 1990's, these dedicated resources (depending on the amount allocated for demolition) ranged from \$500,000 to well over \$1 million per year."²⁰ Over a five-year period, St. Louis spent \$15.5 million, or nearly \$100 per household, to demolish vacant buildings.²¹ Detroit spends \$800,000 each year just to clean vacant lots.²²





Demolishing crumbling vacant buildings does not completely eliminate the costs associated with abandonment. The resulting vacant lots still require maintenance. A study of vacant lots in Philadelphia estimated that the city and closely related public agencies spent \$1.8 million annually on cleaning vacant lots. At the current level of activity and assuming a three percent inflation rate, this adds up to \$49.6 million over the course of twenty years.²³ The study only included the costs of five out of the fifteen agencies that have a role in vacant property management.²⁴

Rehabilitation is clearly a better choice. An examination of the St. Paul, Minnesota budget for maintenance and security costs associated with vacant buildings revealed that while demolition saves \$4,697,²⁵ the rehabilitation of a vacant building will save an estimated \$7,141 in maintenance costs over a twenty-year period.

Managing vacant properties ties up the time of municipal employees and the resources of municipal taxpayers. At the same time, these properties depress the value of other properties and generate little or no tax revenue themselves.

Lot Clean-Up Programs

Lot clean-up programs offer a means for neighborhoods to reverse the neglect associated with vacant and abandoned properties with sweat equity. Most often, they are efforts run by community volunteers with supplies and dumpsters provided by local government. In St. Louis, Missouri, Project Blitz, puts 75,000 volunteers to work every spring on 100 neighborhood "cleaning and greening" projects. This program has helped clear more than seven million pounds of trash from streets, alleys, and vacant lots.²⁶

Decreased Property Values and Tax Revenues

Vacant properties reduce city tax revenues in three ways: they are often tax delinquent; their low value means they generate little in taxes; and they depress property values across an entire neighborhood. Lower property values mean lower tax revenues for local governments. According to Frank Alexander, Interim Dean and Professor at Emory University Law School and an expert in housing issues, “failure of cities to collect even two to four percent of property taxes because of delinquencies and abandonment translates into \$3 billion to \$6 billion in lost revenues to local governments and school districts annually.”²⁷ Property taxes remain the single largest source of tax revenue under local control, so this loss of income is substantial.²⁸

Lost Tax Revenue

Taxes are often lost on vacant properties because of tax delinquency. Abandoned properties often become delinquent because the cost of paying taxes on the property may well exceed the value of the property. If the property goes into tax forfeiture, a common fate for vacant or abandoned properties, ownership is transferred to the municipality which tries to recover the lost taxes through the sale of the property. But such sales are problematic for several reasons. Simply gaining title is a long and difficult process that consumes government resources (*see From the State House to Your House on page 8*). Once the title is obtained, cities often auction off delinquent properties for the amount of the tax lien, but the reclamation of all of the lost taxes is not guaranteed. One study found that 83 percent of the balance due is lost on foreclosed properties. When cities try to recover delinquent taxes on parcels where homes have been demolished, not only are they not able to recover the taxes, but typically the demolition itself was



costly – in St. Paul, the overall loss to the city for a single demolished house is about \$7,789.²⁹ And while tax sales provide a source of income for municipalities, they do not ensure that the abandoned property will be put to productive use. The properties are sometimes purchased by speculators without any intent to restore them, and the process fails to assemble marketable parcels of land.

Even if the taxes are being paid, those taxes don't amount to much. In St. Paul, a vacant lot produces \$1,148 in property taxes over 20 years; an unrenovated but inhabited home generates \$5,650, and a rehabilitated property generates \$13,145.³⁰

From the State House to Your House: Reform of Tax Foreclosure Laws as a Tool for Community Revitalization

One of the biggest barriers to redeveloping vacant properties is simply gaining control over them. Michigan's legislature responded with Public Act 123, passed in 2008. PA 123 amended the Current Property Tax Act to streamline the system for returning tax delinquent properties to productive use. Michigan's current process forced local governments to hold up to 90 days to deliver property to new ownership. PA 123 challenges both and asks governments to reclaim properties in two weeks with a "prudent judgment." The property is titled to either the county or the state. The law helps local governments move quickly before vacant buildings deteriorate or create a public health hazard. The law also created a fund to help through property sales that help local governments manage tax delinquent land.

Case of Change Home to Flint has done the most to take advantage of PA 123. The Genesee County Health Officer and the Genesee County Land Bank, created in 2002, worked together to prevent foreclosure and bring tax delinquent properties back to a productive use. Since 2008, the Land Bank has acquired more than 600 residential, commercial, and industrial properties, from which almost 600 will have been demolished by December 2013 and 300 have been transferred to other users. The Land Bank is completing a \$15 million mixed-use redevelopment in downtown Flint, over 40 housing renovations are completed or underway, and they continue to assemble parcels for additional development projects. The county has also received \$200,000 from the U.S. EPA to complete environmental inspections on commercial, industrial, and residential properties. The process is a collaborative one, pulling in partners from a diverse array of local, regional, state, and national agencies.

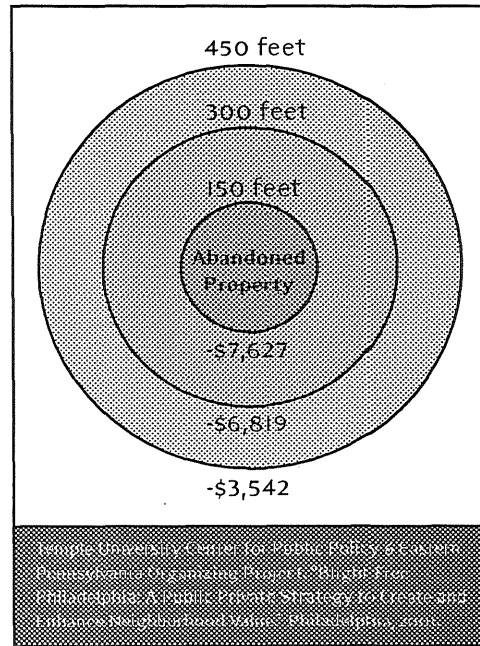
Lower Property Values

Vacant properties generate little in taxes – but, perhaps more importantly, they rob surrounding homes and businesses of their value. In a 2001 study, researchers from Philadelphia found that houses within 150 feet of a vacant or abandoned property experienced a net loss of \$7,627 in value. Properties within 150 to 300 feet experienced a loss of \$6,819 and those within 300 to 450 feet experienced a loss of \$3,542 (see diagram below).

Philadelphia researchers also found “that all else being equal, houses on blocks with abandonment sold for \$6,715 less than houses on blocks with no abandonment.”³³

A University of Minnesota study also evaluated the fiscal benefits the city of St. Paul would receive if it renovated abandoned housing. The study found that vacant properties negatively affected neighborhood property values, reducing the city’s tax base. While a renovated property did not negatively affect surrounding property values, demolishing a vacant building and leaving a vacant lot in its stead led to “\$26,397 in lost property tax revenue over a twenty-year period.”³⁴

These lower property values represent a hit in the pocketbook for both homeowners and the city. But a focused effort to bring vacant properties back can restore value – and taxes – for the city.



Recapturing the Value in Vacant Properties

Richmond's Neighborhoods in Bloom (NIB) program (*see Neighborhoods in Bloom fights Crime on page 4*) has made a significant impact that goes beyond targeted neighborhoods. Housing prices within the NIB neighborhoods appreciated at a rate 9.2 percent per year faster than the citywide average. Prices in non-targeted blocks, but within 5,000 feet, increased at an annual rate 5.3 percent faster.²⁶ The nearly 400 housing units built or renovated through the program equal an 11 percent increase in the number of occupied homes and apartments in the targeted neighborhoods.²⁷

This increase in property values and sales generated growth in tax revenue. The Federal Reserve estimates that the aggregate value for tax assessments in the targeted areas increased 44 to 67 percent.²⁸ And over the next 20 years, it's estimated that NIB-generated appreciation of single-family homes in the targeted areas will result in an additional \$14.7 billion in property tax revenues (in 1997/98 dollars).²⁹

In communities with many vacant lots and a falling population, immediate rebuilding may not be an option. Cleaning up vacant lots and seeding them with grass and plantings can help increase neighborhood property values. A recent report by Susan Wachter, of the Wharton School of the University of Pennsylvania, validates what "clean and green" advocates have known for some time – that investment in greening translates not only into increased quality of life benefits, but also into higher property values.

The Pennsylvania Horticultural Society coordinated a vacant land management system with the New Kensington Community Development Corporation that includes clearing abandoned lots of debris, planting grass and trees, regular cleaning and mowing, and transferring parcels to adjacent homeowners as private side yards. Previously, many of the lots in the New Kensington neighborhood had been havens for illegal activity.

Wachter's study, which analyzed more than 1,000 home sales from 1980 to 2003, found that planting trees within 20 feet of houses increased home prices by 9 percent (approximately \$1,400) and that sales prices increased as much as 30 percent when homes were located near vacant lots that had been "cleaned and greened." In the New Kensington area this translates to a \$1 million gain in property value through tree plantings and a \$12 million gain through lot improvements.³⁰



Philadelphia has seen more than a financial payoff from their efforts. By greening many abandoned sites in the same area, the lots have been converted into "green corridors." To further the environmental benefits, the Pennsylvania Horticultural Society has added a stormwater management component to the program, which has been highlighted by the U.S. EPA as a national model for reclaiming and managing vacant urban lots.³¹

Costs to Homeowners

Living in a neighborhood with many vacant and abandoned properties exacts many costs on homeowners. As discussed above, it leads to decreased property values, which can devastate a family's financial security. When neighborhood populations decline and properties become vacant, a smaller number of residents bear a greater proportion of the city's tax burden. This fact is particularly relevant in lower-income neighborhoods and among residents without the resources or the desire to leave their neighborhood. And there are other, less easily measured costs of owning a home in an area with vacant properties - costs that are both fiscal and psychological.

Higher Insurance Premiums

The proximity of vacant and abandoned properties makes obtaining homeowner's insurance, mortgages, and loans for home improvements more difficult. Insurance companies pay attention to what is going on in a neighborhood; this can mean increased premiums or even policy cancellations for those homeowners living close to an abandoned property. Determining how vacant and abandoned properties influence the cost of homeowners insurance is difficult at best. There are a number of variables involved in the setting of premiums and many insurance companies hold their underwriting manuals to be proprietary. An interview with an insurance agent in Washington, DC representing a national insurance company revealed that the presence of a "high hazard" property (which includes condemned properties) within forty feet of a solid masonry building and 100 feet of a non-masonry building would lead to a cancellation or non-renewal of an insurance policy.⁴¹

Poorer Quality of Life

Vacant properties degrade quality of life for remaining residents. Genesee County Treasurer Daniel T. Kildee tells the story of a Flint resident. "I met a woman who bought her house a decade ago, so proud to be a new homeowner. She took good care of her home and her family, and has seen the properties on both sides of her home burn and sit abandoned for many years. Finally under our program (*see From the State House to Your House on page 8*), we took control of the adjacent properties and have scheduled them for demolition and to transfer to her as part of our side-lot program. Sadly, our program was not in place for many years as she watched the neighborhood slowly slip away. This is a woman that saw her single greatest financial investment become valueless - not due to the condition of her home, but due to the neglect of the property that surrounds her. She only had two choices: stay and maintain her home and make her mortgage payments, or abandon the property and ruin her credit and her home. That is a story that has repeated itself in our community a thousand times over, with a far less happy ending."⁴²

With abandoned buildings comes social fragmentation. Individuals who live in communities with an increasing number of vacant buildings begin to feel isolated, weakening the community as a whole. A large number of vacant buildings in a neighborhood symbolizes that no one cares, increasing the likelihood that property values will continue to decline and that further abandonment will set in. In the case of vacant properties, the problem is out in the open, for all to see. The aesthetic impact of abandoned properties, while not easily quantified in dollars, is another cost.

The Spiral of Blight: The Cumulative Impact of Vacant Property

The costs imposed by a single vacant building are not contained. If left alone, that building can trigger a costly spiral of blight. With each arson or lot filling up with garbage comes further incentive for the remaining residents and businesses to flee. To stem these problems it is important for municipalities to address the issue early.

In *Renewing the Urban Landscape: The Dilemma of Vacant Housing*, the authors describe the issue of vacant and abandoned property as a self-feeding problem. "In blighted neighborhoods that adjoin abandoned ones, existing homeowners face stagnating or declining property values. Unscrupulous real estate agents play on these fears by inducing existing residents to sell cheaply in order to maximize profits at the expense of incoming families. Although this property is still generating revenues for the city, the combination of high resale prices and high tax rates discourage maintenance of such structures. In this way, communities in transition start to look shabby and run-down. Businesses see their profits dwindle and are unlikely to remain in such locales."⁴³ Part of the reason abandonment becomes contagious is that "it makes it harder for people to sell their homes or because it leads banks to lower appraisals or deny loans entirely on blocks with abandoned properties."⁴⁴



Summary

Vacant and abandoned properties are burning a hole in the pockets of local governments, businesses, and individuals. The root of the problem may seem far beyond the control of local governments. The vacancies are often a result of larger forces, such as corporate decisions to transfer jobs overseas, or developers' decisions to invest in sprawling new homes far on the urban fringe. But taking no action simply allows the problem to grow worse.

The places that have done the most to end the financial drain of vacant properties are those that recognize their value. The Pennsylvania Horticultural Society provides an idea of the positive returns cities can expect by investing in a comprehensive program for dealing with vacant and abandoned property. PHS estimates that, over the course of twenty years, the City of Philadelphia would receive \$1.54 in benefits for every \$1.00 in costs (\$158.7 million in benefits, \$106.7 million investment). This figure stands before even considering the additional benefits that may "accrue to families and private businesses if the elimination of vacant land results in an increase in the value of their property, a decrease in insurance rates, or a greater interest by businesses to locate in a more attractive city."⁴⁵

Many cities and counties across the country are looking for strategies that help them capture the value reported by the programs discussed in this report. While some communities have yet to take the first step, others are enacting their own programs to different degrees of success. Sharing experiences and knowledge – what works and what does not – is the role of the National Vacant Properties Campaign, providing a forum to arm communities, civic leaders, and policymakers with information that can embolden them to take action. The Campaign hopes to encourage communities and researchers to seek solutions to these and other outstanding problems relating to the scope and cost of vacant properties:

- ⊙ Many communities don't have a reliable accounting system to track of the number of vacant properties that exist within their borders.
- ⊙ Many of the financial costs incurred by a jurisdiction, including demolition, fire and nuisance abatement, are not routinely tracked.
- ⊙ While anecdotal evidence abounds regarding homeowners losing their insurance because of their proximity to an abandoned house, determining the actual cost is difficult.
- ⊙ Much of the data available about the costs of vacant properties is found from a variety of sources and is difficult to obtain.

Please contact the Campaign to share the experiences in your community.

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National Vacant Properties Campaign Advisory Committee

Frank Alexander,
Emory University*

Carl Anthony,
Ford Foundation

Charles Bartsch,
Northeast Midwest Institute

Noreen Beatley,
The Enterprise Foundation

Lavea Brachman,
Delta Institute

Kim Burnett,
The Surdna Foundation

Carlton Eley,
U.S. EPA, Community and Environment Division

Mindy Fullilove,
Columbia University

Peter Harnik,
Trust for Public Land

Rick Haughey,
Urban Land Institute

Dan Kildee,
Treasurer, Genesee County Michigan*

John Kromer,
Fels Institute of Government

Alan Mallach,
National Housing Institute

Joseph Molinaro,
National Association of Realtors

Rachel Morello-Frosch,
Brown University

Anne Pasmannick,
National Neighborhood Coalition

John Powell,
Ohio State University

Joseph Reilly,
JPMorgan Chase

Jim Rooney,
CEOs for Cities

Carey Shea,
Habitat for Humanity New York City

Diane Silva-Martinez,
City of San Diego

Susie Sinclair-Smith,
Fannie Mae Foundation

Israel Small,
City of Savannah, Georgia

Heather Smith,
Congress for the New Urbanism

Jeff Soule,
American Planning Association

Jennifer Vey,
Brookings Institution, Center on Urban
and Metropolitan Policy

*affiliations used for identification purposes only

The National Vacant Properties Campaign's mission is to help communities prevent abandonment and reclaim abandoned and vacant properties. The Campaign focuses on properties – homes, factories, stores, and vacant lots – that are not legally occupied, show signs of neglect or pose a public nuisance.

The Campaign is pursuing four core activities:

- developing a national network of vacant property practitioners and experts;
- providing tools and research;
- developing persuasive arguments for property reclamation; and
- building the capacity of local, regional, and national practitioners and decision-makers through technical assistance and training.

The National Vacant Properties Campaign is a collaboration of four leading national organizations, Smart Growth America (SGA), Local Initiatives Support Corporation (LISC), the Metropolitan Institute at Virginia Tech (MI), and the International City/County Management Association (ICMA). The Campaign is funded by the generous support of the Fannie Mae Foundation, the US Environmental Protection Agency, the Ford Foundation, and the Surdna Foundation.

For more information and to get involved, visit the web site at <http://www.vacantproperties.org> or write the Campaign's director at jleonard@smartgrowthamerica.org.

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 2667 - Global Climate Change (delete-everything amendment - SCS2677A-2)

Author: Senator Sandra L. Pappas

Prepared by: John C. Fuller, Senate Counsel (651/296-3914) *JCF*

Date: March 8, 2006

The delete-everything amendment changes some of the details and format of the original bill but is essentially the same policy as the original bill.

Section 1 requires that construction and significant renovation of buildings that are funded at least in part by the state bond proceeds fund must create no net gain in greenhouse gas emissions through their construction and operation. This requirement applies to buildings designed on and after July 1, 2006.

This no net greenhouse gas increase obligation can be met by activities related to the building or not connected to the building. The bill provides examples of ways to achieve the no net greenhouse gas increase.

Building project proposers must have a plan to achieve no net increase and that plan must be provided to the Commissioner of Administration. The Commissioner must certify that a project will comply with the no net increase requirement.

JCF:cs

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 2677:** A bill for an act relating to state government; establishing a climate
1.4 neutral policy for state building projects funded with state bonds; amending Minnesota
1.5 Statutes 2004, section 16B.325.

1.6 Reports the same back with the recommendation that the bill be amended as follows:

1.7 Delete everything after the enacting clause and insert:

1.8 "Section 1. [16B.326] GREENHOUSE GAS EMISSIONS; STATE-FUNDED
1.9 BUILDINGS.

1.10 A project to construct or significantly renovate a building that receives any funding
1.11 from the state bond proceeds fund must result in no net increase in greenhouse gases.

1.12 The prevention of a net increase may be accomplished by other planned action, either in
1.13 connection with or separate from the building project, that will offset any increase in
1.14 greenhouse gas emissions caused by the building project and subsequent operation of the
1.15 building.

1.16 Greenhouse gas offset projects must be located in the state and may include, but
1.17 are not limited to, renewable energy development, renewable energy purchases, energy
1.18 efficiency, carbon sequestration, and switching to cleaner fuels.

1.19 Greenhouse gases include carbon dioxide, methane, sulfur heptafluoride, nitrous
1.20 oxide, hydrofluorocarbons, and perfluorocarbons. All of these can be expressed in terms
1.21 of their carbon dioxide equivalents.

1.22 The commissioner of administration, in consultation with the commissioners of
1.23 commerce and the pollution control agency, must certify that a project is in compliance
1.24 with this section. The commissioner must receive a written plan for compliance from
1.25 a project proposer.

1.26 **Sec. 2. EFFECTIVE DATE.**

1.27 Section 1 is effective July 1, 2006, and applies to buildings designed after that date."

1.28 Amend the title accordingly

1.29 And when so amended the bill do pass and be re-referred to the Committee on State
1.30 and Local Government Operations. Amendments adopted. Report adopted.

1.31 
1.32 ((Committee Chair))

1.33 }
1.34 March 8, 2006
(Date of Committee recommendation)

1.1 Senator moves to amend S.F. No. 2677 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. [16B.326] GREENHOUSE GAS EMISSIONS; STATE-FUNDED
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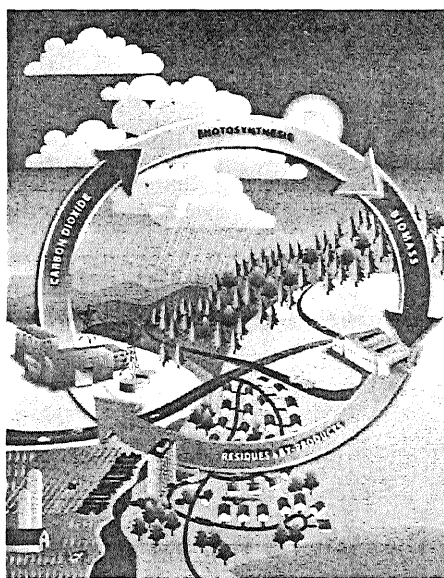
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CLIMATE NEUTRAL BONDING:
BUILDING GLOBAL WARMING SOLUTIONS
AT THE STATE AND LOCAL LEVEL



JOHN BAILEY
FEBRUARY 2006

INSTITUTE FOR LOCAL
SELF-RELIANCE



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The Institute for Local Self-Reliance (ILSR) is a nonprofit research and educational organization that provides technical assistance and information to city and state governments, citizen organizations and industry.

Since 1974, ILSR has researched the technical feasibility and commercial viability of environmentally sound state-of-the-art technologies with a view to strengthening local economies. The Institute works to involve citizens, governments and private enterprise in the development of a comprehensive materials policy oriented toward efficiency, recycling, and maximum utilization of renewable energy sources.

Institute for Local Self-Reliance

Minnesota Office
1313 5th St. SE
Minneapolis, MN 55414
612-379-3815

Washington DC Office
927 15th St. NW, 4th Floor
Washington, DC 20005

www.ilsr.org

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Climate Neutral Bonding: Building Global Warming Solutions at the State and Local Level

John Bailey, Institute for Local self-Reliance
February 2006

I. Introduction

An avalanche of public opinion polls validate Americans' deep seated willingness to take responsibility for any adverse environmental impact resulting from our use of energy.

According to an August 2005 Harris Poll 74 percent of people agreed that, "Protecting the environment is so important that requirements and standards cannot be too high, and continuing environmental improvements must be made regardless of cost." A September 2005 ABC News/ Washington Post Poll found that 41 percent of Americans believe that global warming requires immediate government action; an additional 47 percent thought longer term action is necessary. In 2004, a nationwide poll by the Global Strategy Group found that 70 percent of Americans consider global warming a "very serious" or "somewhat serious" problem.¹

"Sometimes doing the right thing is almost too simple. Requiring publicly funded construction projects to produce no net increase in greenhouse gas emissions is one example: it's hard to find the down side."
David Morris, Vice President
Institute for Local Self-Reliance

Individuals can take responsibility in a number of ways.

- ▶ As consumers we can make smart purchases: buying energy efficient appliances and furnaces, installing ground source heat pumps, buying fuel-efficient vehicles or green electricity.
- ▶ As citizens we can advocate in our legislative and regulatory arenas for policies that maximize efficiency and the use of renewable resources.
- ▶ As taxpayers we can demand that the government use our money efficiently, a demand that can often be met by minimizing its energy expenditures.

This memo proposes a strategy that can begin to allow us, as citizens and taxpayers, to make concrete our desire to live lightly on the earth. That strategy is to convince all tax exempt bond issuing agencies at the state and community level to adopt a climate neutral bonding policy.

II. Municipal Bonds

Tax-exempt municipal bonds are issued to finance a variety of development and public works projects. These bonds are dubbed "munis" even though they are issued by a wide array of public entities, from state and local governments to school boards, public agencies and public authorities.

¹ Polling information from PollingReport.com [<http://www.pollingreport.com/>] and Yale University's Center for Environmental Law and Policy [<http://www.yale.edu/envirocenter/>].

Making the projects funded with municipal bonds climate neutral offers an attractive opportunity for people in virtually all communities to make concrete their commitment to environmental protection and efficient use of resources.

1. Opportunities exist in all communities. The majority of munis are issued by state and local agencies. Many bonds are either voted on directly (e.g. school bonds) or are issued because of a decision of a legislative body, agency or city council whose members have been elected and therefore should be receptive to citizen influence
2. Opportunities occur frequently. More than 9,000 projects, from police stations and schools to water treatment facilities and power plants were financed in 2004 by municipal bonds. That comes to about 150 per week.
3. The potential impact is vast. Collectively, municipal bonds finance projects that will consume large amounts of energy over the life of the bond. In 2004, local and state governmental bodies issued about \$230 billion in municipal bonds (not including bond refinancing).

4. Successes can spread rapidly. States and local entities adopting climate neutral bonding policies can learn what works and what doesn't. Each can learn from the others' experiences. Successes can be quickly imitated. And once adopted by the public sector, climate neutral buildings can serve as models for privately financed buildings. Local architects and engineers, trained to design climate neutral buildings, can market their expertise to private construction projects.

Long-Term Municipal Bond Issuance

	New Capital (excludes refinancing)	
	\$ Million	# of issues
2000	165,386.6	9,960
2001	197,335.2	10,112
2002	236,960.4	9,794
2003	262,343.7	9,682
2004	229,474.8	8,995

Source: Thomson Financial Securities Data

III. Climate Neutral Bonding

As of December 2005, nearly 200 U.S. municipalities have formally declared their intention to achieve the greenhouse gas (GHG) reduction goals of the Kyoto Protocol. Concretely, that means reducing global warming pollutants generated by city agencies and local businesses and residents by 7 percent below 1990 levels.

With no action at the Federal level, some States are also taking a leadership role in addressing global warming by enacting innovative policies. In December 2005, seven Northeastern states have committed to cut their CO2 emissions 10 percent by the end of 2018 (includes Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont). California has a goal to reduce its statewide GHG emissions by 80 percent compared to 1990 levels by 2050.

These are welcome and potentially far reaching developments. But it will take time to have an impact. For most states and communities, before implementing GHG reduction policies, they will have to gather data: estimates of the base level of emissions in 1990, determination of the current emissions level and estimates of the future growth rates of community-wide GHG emissions. This can be a time consuming and lengthy process. There is no need to wait for the studies to be completed to act.

A climate neutral bonding policy can be implemented immediately, without the need for an extensive survey of GHG emissions data. Determining the baseline emissions under climate neutral bonding is simple. It's zero, period. A baseline of zero means that any greenhouse gases emitted after the bond-financed project becomes operational will have to be offset.

How Climate Neutral Bonding Works

Climate neutral means that there is no net increase in greenhouse gas emissions within the bond issuing agency's geographical jurisdiction after the project becomes operational. Several elements of this definition might require further elaboration and justification.

1. *Why a zero net increase standard? Shouldn't we do better than that?*

Of course. The zero net increase standard was chosen because of its simplicity. All of the methodologies and procedures developed to implement this policy could be used to apply a more stringent policy. For example, one might adopt a policy that for every 1-pound increase in CO₂-equivalent GHG emissions from a bonded project, there must be a 1.5-pound decrease elsewhere.

2. *Why require the offsets to occur within the bond issuing agency's jurisdiction? Wouldn't it be less expensive if offsets in other states or countries were allowed?*

It may be less expensive to do offsets elsewhere. But we view climate neutral bonding as an initiative of community responsibility. It becomes the first step in what should be a truly comprehensive process of addressing a global problem at the state and local level. Responsibility is undermined if we can continue to generate pollution simply by planting trees in a far off region of the planet. We also believe that architects and engineers will find a treasure trove of opportunities for improving efficiency and tapping into renewable energy within the state or local jurisdictions. Moreover, the effectiveness of local GHG offsets can be more easily monitored than remote projects.

With this said, each jurisdiction will frame its own rules. Some may allow, for example, the purchase renewable energy certificates from projects in other parts of the country. Although not a hard or fast rule, we believe that in most cases, local energy efficiency improvements will be a cheaper offset option than the purchase of regional or national green electricity.

The Benefits of Climate Neutral Bonding

Communities and states that require climate neutral bonding will enjoy a variety of benefits.

1. **Financial.** The savings from reduced operating costs in almost all cases is significantly greater than the modest increase in capital costs, over the life of the bond.
2. **Job creation.** Climate neutral bonding will nurture expertise among architects, engineers and builders in terms of efficient design and construction. This expertise will be increasingly marketable at home and abroad in a world where the Kyoto Protocol is now in effect.
3. **Environmental.** Climate neutral bonding will result in buildings that will generate less pollution, improve air and water quality, and healthier occupants.
4. **Psychological.** Citizens will have the satisfaction and pride that comes from being a member of a truly responsible community.



Climate Neutral Initiatives on the Rise

With growing awareness and concern about global warming, many state and local initiatives are moving ahead. Below find a selection of some interesting models that we are aware of at this time.

University of British Columbia Reducing CO2 Despite Student Expansion

The University of British Columbia (UBC) is in the midst of the largest energy and water infrastructure upgrade ever to take place on a Canadian campus. The \$32 million initiative will be entirely paid for through guaranteed energy savings using a "performance-based contract" with an energy service company. Despite a 24 percent increase in students since 1999, UBC has reduced energy use in buildings by 10 percent and CO2 emissions from buildings was reduced by 11 percent. Despite building expansions to accommodate new students, there have been reductions of CO2 emissions per square meter of building area by 27 percent since 1990.

More: <http://www.sustain.ubc.ca/>

Seattle City Light's Zero Greenhouse Gas Emissions Goal

In 2001, Seattle committed its municipally owned utility to a well-defined policy (Resolution Number 30359) to become the first major utility in the country to achieve zero net GHG emissions. In November 2005, the city announced that the utility had met this goal.

Seattle City Light (SCL) estimates that GHG emissions in 2005 will be about 200,000 metric tons of carbon dioxide (CO2) equivalent. SCL's emissions are associated with the production and purchase of electricity and utility operations including the use of vehicles and heating of facilities. SCL has avoided and decreased its GHG emissions through energy conservation programs, divesting from a coal plant and purchasing renewable energy.

SCL has also purchased GHG emissions offsets from other organizations that have the ability to reduce their emissions more economically than the utility could on its own. SCL has budgeted about \$750,000 per year for 2005 and 2006 to cover the cost of emissions offsets. That breaks down to about \$2 per customer annually, according to the utility.

More: <http://www.cityofseattle.net/light/conserve/globalwarming/default.asp>

Woking's Climate Neutral Development Policy

Woking (pop. 90,000), a borough just outside London has adopted a comprehensive climate change strategy. The plan covers the whole spectrum of Woking's energy uses: power, heat, water, waste disposal and transport for the

OTHER CLIMATE CHANGE INITIATIVES

U.S. Mayor's Climate Protection Agreement
This initiative spearheaded by Seattle's Mayor, has enlisted nearly 200 cities around the country to adopt the goals of the Kyoto Protocol to reduce GHG pollutants by 7 percent compared to 1990 levels.

More: <http://www.seattle.gov/mayor/climate/>

Cities For Climate Protection Campaign
In 1993, the International Council for Local Environmental Initiatives (ICLEI) developed the Cities for Climate Protection (CCP) campaign. As of late 2005, ICLEI's CCP program has 675 participants in 30 countries.

More: <http://www.iclei.org/index.php?id=800>

California Goal of Reducing GHG Emissions by 80 Percent by 2050

In June 2005, California's Governor signed an Executive Order that calls for a reduction of GHG emissions to 2000 levels by 2010; a reduction to 1990 levels by 2020; and a reduction to 80 percent below 1990 levels by 2050.

More: <http://www.climatechange.ca.gov/>

University Efforts to Address Climate Change
A growing number of colleges and universities are weaning themselves from carbon technologies and reducing energy consumption on their campuses. The University Leaders for a Sustainable Future are tracking these developments.

More: <http://www.ulsf.org/>

city, homes and businesses. Woking believes that it is the only city in the United Kingdom with a plan that is likely to meet targets of 60% reductions of CO2-equivalent emissions by 2050 and 80% by 2100.

Since energy efficiency and environmental policies were implemented in 1990, Woking's city operations have achieved a reduction in energy consumption of 44 percent and a reduction in CO2 emissions of 72 percent. It is estimated that Woking's residents and businesses produced about 1 million metric tonnes of CO2 equivalent emissions in 1990. Woking's Climate Change Strategy aims to reduce this to 200,000 tonnes a year by 2090.

To address future development pressures and their associated GHG emissions, Woking will be encouraging policies that result in a lower level of CO2 emissions on each site. Woking's overall objective is that any new land use must see a reduction of CO2 emissions by 80% compared to the previous use. This would mean that if an office building were replaced with a housing estate, the housing estate would have to incorporate energy uses that result in significantly lower CO2 emissions that were produced by the office building.

More: <http://www.woking.gov.uk/councilplanning/publications/climateneutral2>

IV. Climate Neutral Bonding:

Implementation, Costs and Benefits

An October 2003 comprehensive report to California's Sustainable Building Task Force, *The Costs and Financial Benefits of Green Buildings*, confirmed that minimal increases in upfront costs of about 2 percent to support green design results, on average, in 20 year savings of 20 percent of total construction costs – more than ten times the initial investment. For example, an initial upfront investment of up to \$100,000 to incorporate green building features into a \$5 million project would result in a savings of \$1 million in today's dollars over 20 years.

A June 2005 report prepared by The Weidt Group for the Minnesota Office of Environmental Assistance, *High Performance Building Design in Minnesota*, found that buildings designed to use 30-40 percent less energy than required to meet the state's energy code will typically payback the increased cost in less than 2.5 years.

Based on case study data, minimizing energy consumption during the design stage of a new building is the most cost-effective way to reach toward a zero net increase in global warming pollution. Further offsets will likely be most cost-effective by improving energy efficiency within the community.

Minimizing the Need for GHG Offsets and Offset Options

Once the building is designed in the most economically and energy-efficient manner, additional offsets will occur off-site but within the bond issuer's jurisdiction. At the local level, since electricity is often generated outside the community's borders, some cities may view the purchase of green power from the local utility to be a reasonable approach to obtain GHG offsets. We'd prefer to see GHG offsets related to electricity, natural gas or other fuel consumption be done as part of energy conservation within the community but this will be up to the individual bond issuing entity to decide.

Measuring GHG Emissions

Architects and engineers will be familiar with building analysis software tools that will allow them to model the expected energy consumption in the building (i.e. electricity, heating, air conditioning and hot water). Once the energy consumption estimates are known, a calculation of greenhouse gas emissions can be made directly using known GHG coefficients based on the projected fuel consumption and type of fuel used.

See the appendix to this report find more information on measuring GHG emissions.

Energy Efficiency - The most cost effective GHG offsets within the state or local jurisdiction will likely be energy efficiency measures in other buildings. A school, state department or city hall could be a candidate for new energy efficient lighting, new boilers, motors or air conditioners. From extensive studies of utility-sponsored energy conservation programs, the American Council for an Energy Efficient Economy concludes that it costs about 2.9 cents to save a kWh of electricity. Therefore the city can spend 2.9 cents to eliminate a kilowatt-hour (kWh) and the associated GHG emissions. An additional benefit is that the city will no longer be paying for that kWh it otherwise would have been using (e.g. 5-8 cents).

Energy services companies (ESCOs) often work under performance contracts where they will install and oversee energy conservation strategies and are paid from all or a portion of the savings that are realized. After a pre-determined number of years the economic savings are passed on directly to the building owner.

Renewable Energy Development - A community or state could install their own renewable energy project as a way to offset their GHG emissions. For example, according to the American Wind Energy Association, a single 750-kilowatt (kW) wind turbine (~\$1 million) produces roughly 2 million kilowatt-hours (kWh) of electricity annually. Based on the U.S. average fuel mix, approximately 1.5 pounds of CO₂ is emitted for every kWh generated. This means that an average wind turbine prevents the emission of about 1,500 tons of CO₂ each year.

Renewable Energy Purchases - A bond issuer could decide to do GHG offsets by subscribing to a utility-sponsored renewable energy program (known as green-pricing) or purchasing certified renewable energy certificates. There are hundreds of green-pricing programs offered around the country that allow residential and business customers to pay a surcharge to get a portion or all of their electricity from renewable energy developments. In Minnesota, for example, Xcel Energy's Windsource® program charges an extra \$0.02 per kilowatt-hour for wind energy.

A comprehensive listing of green pricing programs in each state is available at the Green Power Network web site - <http://www.eere.energy.gov/greenpower/>.



We should keep in mind that using green pricing for GHG offsets will not eliminate an existing kWh of energy. Therefore, when comparing green pricing with efficiency as a GHG offset option, the full cost of the green electricity must be used. The full cost of the GHG offset with green pricing might be 7 cents per kWh or more when comparing it to energy efficiency. The green pricing option will likely represent the cost ceiling in terms of possible GHG offsets.

Tree Planting in the Community - Tree planting in the community is another possible option for GHG reductions. To offset 1-ton of CO₂/yr. requires the planting of approximately 3 trees each year, according to the nonprofit organization, American

Forests [see <http://www.americanforests.org/resources/cc/>]. There is some level of uncertainty surrounding how well and for how long trees can "sequester" carbon dioxide. Tree planting and a variety of other possible options for carbon sequestration are currently under intense scientific scrutiny.

Switching to Renewable Fuels – Switching from high carbon fuels to cleaner or renewable fuel is a possible option for GHG offsets. The City of Seattle’s municipal owned utility is obtaining GHG offsets by paying for local fleets and a local ferry to use biodiesel blends in their vehicles and ships. The utility has also signed an offset agreement with Princess Cruise Lines by switching two ships from diesel to electricity during their stay in Seattle. The utility found these options to be a more economical approach when compared to other GHG offset options.

V. Climate Neutral Bonding Economics: A Case Study Building

The case study below demonstrates that making a building as energy efficient as possible is a cost-effective way to reduce global warming pollution compared to renewable energy purchases. In the example below, 43 percent of the emissions compared to a standard building are reduced through high-performance design elements for an upfront additional cost of \$64,166 (~\$9.50 per ton of CO2 over 20 years). This is repaid through energy cost savings in less than 3 years. For comparative purposes, if we were to assume that an expensive GHG offset option is used (e.g. green electricity purchase), the remaining GHG emissions offsets will cost \$175,822 over 20 years (~\$20 per ton of CO2). This would increase the payback period of the climate neutral building to nearly 10 years. Even at 10 years, this should still be acceptable payback period for public sector buildings.

The case study below assumes that purchasing renewable energy from an electric utility for 2.0 cents per kWh offsets the global warming pollution from the building’s electricity consumption. Since we are purchasing GHG offsets using green pricing instead of energy efficiency, the existing electricity consumption and costs remain unchanged. Similarly, GHG emissions from the building’s natural gas usage are offset by purchasing renewable energy certificates (green tags) for 17 cents per Mcf and consumption remains unchanged.

Under this scenario, energy cost savings and carbon offsets will still result in a savings of \$251,000 over 20 years (not including other operational savings as a result of energy efficiency investments).

Case Study: High-performance Police/Fire Station in Minnesota

Building Type	Police/Fire Station	
Building Area	39,510	sq. feet
Upfront Electric Savings	372,127	kWhs
Upfront Electric Savings	47%	
Net Expected Electric Use	419,633	kWh
Upfront Natural Gas Savings	1,189	Million Btu
Upfront Natural Gas Savings	33%	
Net Expected Natural Gas Use	2,414	million Btu
Net Expected Natural Gas Use	2,344	Mcf
Upfront Energy Cost Saving	\$ 24,572	
Upfront Energy Cost Savings	39%	
Upfront CO2 Savings	678,406	lbs
Upfront CO2 Savings	43%	
Upfront Total CO2	1,577,688	lbs
CO2 Offset needed	899,282	lbs
CO2 Offset needed	449.64	tons
Incremental Upfront Costs w/out additional CO2 offsets	\$ 64,166	
Simple Payback	2.6	years
CO2 Offset Calculation		
Cost of CO2 Offset on electric - green pricing	\$ 0.02	per kWh
Cost of CO2 Offset on natural gas - Green Tag	\$ 0.17	(per Mcf natural gas)
Annual Cost of CO2 Offset for Electricity	\$ 8,393	per year
CO2 Offset Costs - 20 years for Electricity	\$ 167,853	20 years
Annual CO2 Offset Cost of Natural Gas	\$ 398	per year
CO2 Offset Costs - 20 years for Natural Gas	\$ 7,969	20 years
Total Annual CO2 Offset Costs	\$ 8,791	per year
CO2 Offset Costs - 20 years	\$ 175,822	20 years
Total Increased Cost over 20 years	\$ 239,988	20 years
Simple Payback including Offsets (not including non-energy operational savings)	9.8	years

Calculations were derived from case study data from *High Performance Building Design In Minnesota*, The Weidt Group, June 2005 <http://www.moea.state.mn.us/publications/highperformance-weidt.pdf>

VI. A Model Climate Neutral Bonding Resolution For Cities

If a city or other public agency is serious about reducing greenhouse gas emissions in their community, the following climate neutral bonding policy (tailored for each city's or other jurisdiction's specific needs) should be one of the tools in its global warming toolbox.

THE CLIMATE NEUTRAL BONDING RESOLUTION

WHEREAS, the [INSERT CITY NAME] wishes to adopt strong policy resolutions calling for a reduction of global warming pollution; and

WHEREAS, the Intergovernmental Panel on Climate Change (IPCC), the international community's most respected assemblage of scientists, has found that climate disruption is a reality and that human activities are largely responsible for increasing concentrations of global warming pollution; and

WHEREAS, on February 16, 2005, the Kyoto Protocol, an international agreement to address climate disruption, went into effect in the 141 countries that have ratified it to date; 38 of those countries are now legally required to reduce greenhouse gas emissions on average 5.2 percent below 1990 levels by 2012; and

WHEREAS, the United States of America, with less than five percent of the world's population, is responsible for producing approximately 25 percent of the world's global warming pollutants; and

WHEREAS, the Kyoto Protocol emissions reduction target for the U.S. would have been 7 percent below 1990 levels by 2012; and

WHEREAS, many cities throughout the nation, both large and small, are reducing global warming pollutants through programs that provide economic and quality of life benefits such as reduced energy bills, green space preservation, air quality improvements, reduced traffic congestion, improved transportation choices, and economic development and job creation through energy conservation and new energy technologies; and

WHEREAS, the city of [INSERT CITY NAME] has signed the U.S. Mayors Climate Protection Agreement which, as amended at the 73rd Annual U.S. Conference of Mayors meeting, commits the city to meet or exceed Kyoto Protocol targets for reducing global warming pollution by taking actions in our own operations and in the wider community:

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1: the city of [INSERT NAME] will require all future individual projects above \$[INSERT AMOUNT OR SQUARE FEET] involving the issuance of municipal bonds to add no net increase in global warming pollution to community-wide emissions levels.

Section 2: the city of [INSERT NAME] will establish the criteria necessary to evaluate a proposed project's ability to offset increases in global warming pollution.

Section 3: the city of [INSERT NAME] will adopt a selection of acceptable global warming pollution reduction strategies within the community that may include but are not limited to energy efficiency, renewable electricity, passive solar, cogeneration, fuel switching, carbon sequestration, and purchases of carbon offset credits.

Section 4: the city of [INSERT NAME] will monitor global warming pollution reduction efforts and evaluate and quantify the emission reductions that occur related to the bonding projects.

This resolution becomes effective upon final approval.

The example resolution is targeted and written for the cities that have adopted the U.S. Mayor's Climate Protection Agreement and are making efforts to reduce GHG emissions in their community. This resolution will require that bonded projects result in no net increases in global warming pollutants within the community. It requires the city to adopt a selection of acceptable global warming pollution reduction strategies within the community such as energy efficiency, renewable electricity, passive solar, cogeneration conversion, carbon sequestration and purchases of carbon offset credits.

VII. The Building's CO2 Emissions Must Be Monitored

Local or state governments making a commitment to climate neutral bonding should not forget the importance of measuring and disseminating the results of their efforts. Since upfront costs may increase because of the need to finance carbon offsets, the bond issuer will have to show that this policy produces long-term benefits through lowered energy and operating costs.

There are many software tools in use that analyze building energy performance and they do this in different ways. As a result, the conclusions from the various tools are often inconsistent with each other and comparisons are difficult unless the same tool has been used for each analysis.

To resolve this problem, DOE's Program on Energy Efficiency and Renewable Energy is developing standard methods of measuring and reporting the performance metrics of commercial buildings. Their work is available at http://www.eere.energy.gov/buildings/highperformance/performance_metrics/

An option that the U.S. Department of Energy recommends is the Efficiency Valuation Organization's International Performance Measurement and Verification Protocol (IPMVP) volumes [<http://www.ipmvp.org/>]. The IPMVP organization's documents can be used in the following ways:

- ▶ to develop a measurement and verification [M&V] strategy and plan for quantifying energy and water savings in retrofits and new construction,
- ▶ to monitor indoor environmental quality, and
- ▶ to quantify emissions reductions.

Appendix: Measuring GHG Emissions

The greenhouse gas emissions resulting from a bonded project will be calculated from the new buildings projected energy consumption. Energy use would include the energy used in generating electricity, heating, hot water production and air conditioning. Once the energy consumption estimates are known, a calculation of greenhouse gas emissions can be made directly based on the projected fuel consumption and type of fuel used.

Countries that have signed the Kyoto Protocol must meet reduction targets covering emissions of the six main greenhouse gases, namely:

- ▶ Carbon dioxide (CO₂);
- ▶ Methane (CH₄);
- ▶ Nitrous oxide (N₂O);
- ▶ Hydrofluorocarbons (HFCs);
- ▶ Perfluorocarbons (PFCs); and
- ▶ Sulphur hexafluoride (SF₆)

Typically the various greenhouse gas emissions are converted and measured in terms of their carbon dioxide equivalent (known as CO₂e). The following definitions from the Pew Center on Global Climate Change (<http://www.pewclimate.org/>) illustrate the relationships.

- ▶ Carbon Dioxide (CO₂): CO₂ is a colorless, odorless, non-poisonous gas that is a normal part of the ambient air. Of the six greenhouse gases normally targeted, CO₂ contributes the most to human-induced global warming. Human activities such as fossil fuel combustion and deforestation have increased atmospheric concentrations of CO₂ by approximately 30 percent since the industrial revolution.
- ▶ Carbon Dioxide Equivalent (CO₂e): CO₂ is the standard used to determine the “global warming potentials” (GWPs) of other gases. CO₂ has been assigned a 100-year GWP of 1 (i.e., the warming effects over a 100-year time frame relative to other greenhouse gases). The emissions of a gas, by weight, multiplied by its “global warming potential.”
- ▶ Global Warming Potential (GWP): A system of multipliers devised to enable warming effects of different gases to be compared. For example, over the next 100 years, a gram of methane (CH₄) in the atmosphere is currently estimated as having 23 times the warming effect as a gram of carbon dioxide; methane’s 100-year GWP is thus 23. Estimates of GWP vary depending on the time-scale considered (e.g., 20-, 50-, or 100-year GWP), because the effects of some GHGs are more persistent than others.

Unless the building generates all of its electricity on-site, it is slightly more complicated to calculate the precise amount of greenhouse gas emissions related to electricity consumption since the electricity is produced by a combination of fuels used by the city’s electricity supplier. In general, the coefficient is about 2.3 lbs CO₂ for each kilowatt-hour (kWh) of 100 percent, coal-fired electricity. To be precise, a city will have to contact their electricity supplier to determine the most accurate CO₂ coefficient for their electric supply.

A fairly accurate, rough calculation could be made using statewide CO₂ coefficients for electricity put out by the Energy Information Administration. [see <http://www.eia.doe.gov/oiaf/1605/e-factor.html>]. These coefficients range in value from a low in Washington of .03 lbs per kWh [Vermont and Idaho] to a high of 2.24 lbs per kWh [North Dakota]. The following table shows GHG emission coefficients for a variety of fuels and feedstocks. For a complete table of emission factors for various fuels see the U.S. Energy Information Administration at: <http://www.eia.doe.gov/oiaf/1605/factors.html>