



February 8, 2023

The Honorable Melony Griffith, Chair
Senate Finance Committee
Miller Senate Office Building, 3 East
Annapolis, MD 21401

Oppose: SB 170 – Energy Generation Projects – Required Labor Standards

Dear, Chair Griffith and Committee Members:

The NAIOP Maryland Chapters represent more than 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. NAIOP's member companies appreciate the opportunity to offer comments and concerns on SB 170.

Currently, investor-owned utilities are required to comply with prevailing wage rates, the contractor certifications, and records requirements in SB 170 on projects supported by federal funds and certain underground infrastructure projects. SB 170 would extend these wage and labor requirements to any power generating facility of 2-MW or larger without regard to ownership or funding source.

NAIOP is concerned that the provisions of SB 170 would apply to the construction of relatively small, privately owned power generating equipment that will be increasingly built on commercial real estate sites. We respectfully request that the committee reconsider and take steps to narrow the scope of SB 170.

As the transition to distributed energy resources (DERs) accelerates, more apartment, office, warehouse, and retail facilities will install power generating equipment to serve electric loads beyond the emergency backup power that is provided by on-site power generation today. DERs are small, modular, energy generation technologies that typically produce less than 10-MW of power. DER systems are made up of many different power-generating technologies including solar panels, wind turbines, fuel cells and microturbines.

An example today is Seneca Village, a 684-unit affordable apartment complex in Gaithersburg, Montgomery County. The complex recently received \$5 million from multiple sources to finance installation of a 2.18-MW rooftop solar array. Whether intended or not, it appears SB 170 would apply to future projects like Seneca Village.

The Fiscal Note on page four describes the small business impacts as follows: *"Complying with the bill's wage and labor standards record keeping and certification requirements is likely to meaningfully impact small contractors and subcontractors working on covered projects as well as small business renewable energy developers who may otherwise seek to construct a covered generating station."*

It is one thing to apply the provisions of SB 170 to a public utility that can socialize and recover the costs through user rates but applying the provisions of SB 170 to private projects of relatively small size would, in our opinion, be burdensome.

Many of NAIOP's member companies have in-house construction divisions, others have long-standing relationships with third-party construction contractors that would be disrupted by applying SB 170 to small generating facilities.

The 2-MW threshold was established as a limitation on the size of solar generating projects for reasons related to interconnection. We see no reason for public utility labor requirements to be applied to privately constructed facilities of this size.

The increased costs and reduced pool of eligible contracting firms would likely slow deployment of solar and other on-site power generating technologies making it more difficult for building owners to meet Maryland's energy and climate targets.

We respectfully request that the committee reconsider and take steps to narrow the scope of SB 170.

Sincerely,



Tom Ballentine, Vice President for Policy
NAIOP Maryland Chapters - *The Association for Commercial Real Estate*

cc: Finance Committee Members
Nick Manis – Manis, Canning Assoc.