

## TESTIMONY ON SB256

### **By the Willoughby Condominium of Chevy Chase Before the Senate Education, Energy and Environment Committee February 13, 2025**

Chair Feldman, Vice Chair Kagan, and Members of the Senate Education, Energy and Environment Committee,

#### **The Willoughby is Moderate Priced, Affordable Housing**

I am Brenda Viehe-Naess, a resident testifying on behalf of the Board of Directors of the Willoughby Condominium in Chevy Chase. The Willoughby is an 815 unit building with almost 2,000 residents, built in 1968. The Willoughby is affordable, moderate priced housing,

The residents are diverse across many demographics, including economically, ethnically, and in terms of age. There are young people in their first jobs, families with children, and retirees, some on fixed incomes. As the Treasurer of the Board of Directors, I am well aware that all of them are very concerned about increasing costs.

#### **We Support Energy Conservation and the Reduction of Global Warming**

We are very supportive of State and County efforts to reduce greenhouse gases, conserve energy, and reduce the impact of global warming on our families and future generations. We are working with an energy consultant recommended by the Montgomery County Green Bank to develop affordable ways to enhance our building's energy efficiency and reduce greenhouse gas emissions.

We want to do as much as we can to support the State's work, but there are financial limits to what is realistic and affordable. Our 57-year-old building requires regular maintenance and the replacement of major equipment, such as façade maintenance, electrical systems, and fire alarms. These major repairs and improvements are costly, but failing to do them would jeopardize the building's safety and the residents' quality of life. We cannot postpone these essential projects.

#### **The Cost of Compliance with State Regulations is Extremely High and Onerous for Moderate Income Residents**

The State regulations under the Climate Solutions Now Act of 2022 impose unrealistic demands upon condominiums, which are, in reality, collections of individual owners in single family homes stacked one above and alongside the other. The amount that our owners can afford to pay is limited.

While median multifamily properties consume energy at a rate that is at least **12% higher** than similar office buildings due to their 24/7 need for cooking/heating/air conditioning/etc., the state has set an EUI target for multifamily housing that is **47% lower** than its target for commercial office properties. The target is unrealistic and draconian. It is impossible for us to reach at an affordable cost.

State regulations would require us to replace our current gas boilers and water heaters with more efficient boilers, water heaters or electric heat pumps and pay a fine as well, or pay a more substantial fine to the State. It appears that the cost of eliminating our gas boilers and water heaters

and replacing them with heat pumps would be extremely high, based on the cost estimates for similar projects in nearby Maryland buildings:

- At the low end of a range, the cost of electrification (exclusive of cooking) would run about \$36 per square foot, or roughly \$30 million for the Willoughby. That works out to an average cost of almost \$40,000 per unit owner.
- At the high end, based on the actual full electrification of the Hampshire Towers, the cost ran \$16 million for a 250,000 square foot building (paid for by \$9 million from the owner and \$7 million from public funds). If similar costs were incurred by the Willoughby, the cost would be more than \$60 million. The average cost per unit owner would be \$60,000.

*Both estimates far exceed the amount we have in reserves.* Even with a loan to spread the cost over several years (if we can get such a large loan, which is questionable), the increase in condo fees would be onerous. Condo fees would have to be increased to cover the cost of the loan, some owners would be unable to pay the higher fees, and some would face foreclosure and bankruptcy. Many would sell to avoid such exorbitant costs, and the price of units would drop --- at the Willoughby and throughout the state.

*It is not true that electrification will pay for itself.* The “simple payback period” in the Hampshire Towers electrification was estimated to be about 100 years --- meaning that all residents of the building will have moved out. The simple payback method is flawed because it ignores financing costs and the time value of money.

If the Willoughby is unable to comply with BEPS and becomes subject to the “alternative compliance payment” (or penalty) for greenhouse gas emissions, our consultants have estimated that we will be required to pay about \$10 million between 2030 and 2040. That added \$1 million per year would be a substantial increase in the condominium fees, and would create hardship for many owners, both young and old. The Maryland Department of Environment is also seeking authority to impose penalties on owners of buildings that do not meet energy efficiency targets that have not yet been established. The penalties for not meeting these unknown targets would apparently be added to the greenhouse gas penalties.

*For older, moderate income buildings, the cost of compliance with the state BEPS regulation is prohibitive. If enforced without change, the proposed regulation would lead to hardship for individuals, panicked sales in many Maryland buildings, a drop in property tax revenues, and deficiencies for the condominiums themselves which would face delinquencies in paying condo fees. Quite simply, the current regulations are inconsistent with the State's policy of expanding affordable housing for moderate income residents.*

### **SB256 Needs Three Essential Amendments to Enable Moderate Income Buildings to Meet Environmental Goals**

Is there a way to preserve affordable housing in Maryland and still make progress on our environmental goals? We believe the answer is YES. These amendments to the current bill (HB48/SB256) would substantially improve our ability to comply:

- First, the bill should be amended to allow *alternate pathways that establish a waiver if payback periods can't be met due to technical or economic burdens.*
- Second, *if the local jurisdiction has established energy performance standards, the building should be subject to that standard only.* It should be relieved of the unfair burden of dual regulation.
- Third, due to delays in issuing final regulations, the *period for compliance before penalties are imposed should be extended.*

*As introduced, SB256 does not provide necessary provisions to enable older, moderate income buildings to comply with its goals. We would support a bill that adds these three provisions making it more workable. But we cannot support the bill without those critical provisions.*