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Legislative District 9B
Howard County

Economic Matters Committee

Subcommittees

Banking, Consumer Protection,
and Commercial Law

Property and Casualty Insurance

Vice Chair, Democratic Caucus



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

February 2, 2021

HB0517 (SB0319) Clean Energy Loan Program – Remediation and Resiliency

SPONSOR: Delegate Courtney Watson

POSITION: Support

Good afternoon Chairman Barve and members of the committee. Thank you for allowing me to present House Bill 517, a simple bill that would expand financing options for property owners seeking to invest in environmental and health remediation or resilience projects for their commercial property.

The problem:

As you are aware, over the past several decades, instances of severe natural disaster events have caused substantial damage to communities around the State of Maryland, and are increasing in terms of frequency and severity. We have seen habitual and severe flood events affect rural and urban communities including Catonsville, Sykesville, Baltimore City, Annapolis, and of course Historic Ellicott City in 2016 and 2018. As State and Local governments wrestle with the challenges of financing resilient infrastructure improvements that would reduce the cost of such disasters on our businesses and community members, our commercial property owners are facing similar hurdles in financing improvements to their own properties that would mitigate the effects of natural disasters and crises. This is especially true in light of the COVID-19 pandemic, because of which commercial property owners in all of our jurisdictions are attempting to finance property improvements such as HVAC upgrades and modifications for increased ventilation, in order to mitigate COVID related health risks. Whether you are looking to mitigate the effects of flooding at your commercial property, remediate mold or asbestos, or upgrade your facilities to mitigate COVID risks, there is a pressing need for financial tools to enable this wide array of important property improvements in an economically feasible manner.

The solution:

The “Commercial Property Assessed Clean Energy (C-PACE) Program,” also known as the “Clean Energy Loan Program,” is a financing mechanism that provides owners of commercial property with 100% of the up-front capital necessary to implement building upgrades that save energy and lower energy utilization. Unlike a traditional loan product however, C-PACE financing allows property owners to repay the cost of their asset upgrade through a lien on the property that transfers with the sale of the property. This lien is given priority over other liens on the property to ensure minimal risk on investment, and is transferred with the sale of the property, enabling financial institutions to provide long-term, low interest loans to commercial property owners at no cost to the State.

House Bill 517 expands the authority of this program to include:

- Environmental remediation projects, defined as projects intended to remove environmental or health hazards (i.e. asbestos remediation, lead paint removal, mold remediation, or other projects that promote indoor air and water quality).
- Resiliency projects, defined as projects intended to increase the capacity of a property to withstand natural disasters and the effects of climate change.

Additionally, this bill expands the flexibility of the program by allowing this financing mechanism to be used for the purposes of refinancing existing projects that fall under the scope of the program.

Why should you vote for this bill?

Today I want to share with you three reasons for you to vote for this legislation:

1) With the intensity and frequency of severe weather events increasing, as well as the heightened urgency for environmental and health remediation measures in commercial properties in light of the COVID-19 pandemic, our constituents require additional financial tools to adequately meet the challenges they will predictably face in the future. This expansion of the C-PACE program will provide them another tool in that effort.

2) **This expansion can be achieved with no additional State or local expenditure.**

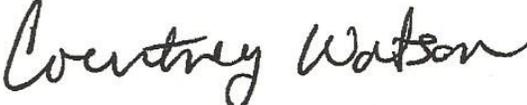
This program is administered by PACE Financial Servicing, a private entity, and the loans made through this program are made entirely by private banks and lenders.

3) PACE Financial Servicing has stated that it is their intent to work with localities to update their ordinances to match the provisions of this legislation. Therefore, **the implementation of this legislation will not require any additional non-monetary State or Local resources.**

In summary, this legislation provides us with the rare opportunity to provide substantial additional benefits to our constituents in accessing capital for environmental and health resiliency and remediation projects, at no cost to the State or localities. For that reason, **I respectfully request a favorable report for House Bill 517.**

Testifying in support today we have representatives from PACE Financial Servicing, The Nature Conservancy and Preservation Maryland.

Thank you for your consideration of this bill. I am happy to answer any questions.

A handwritten signature in black ink that reads "Courtney Watson". The signature is written in a cursive, flowing style.

Delegate Courtney Watson
Howard County District 9B