

**Tuesday February 2, 2021**

**TO:** Kumar Barve, Chair of House Environment and Transportation Committee, and Committee Members

**FROM:** Caitlin Kerr, The Nature Conservancy, Conservation & Climate Policy Analyst; and Kelly Leo, The Nature Conservancy, Maryland/DC Resilient Coasts Program Director

**POSITION:** Support HB 517 Clean Energy Loan Program – Remediation and Resiliency

The Nature Conservancy (the Conservancy) strongly supports HB 517 offered by Delegate Watson. HB 517 expands on the existing Property Assessed Clean Energy program (PACE) by allowing property owners to finance or refinance projects that remediate environmental issues and improve their properties' resilience. Currently, the PACE program provides a financing mechanism at the county level for commercial property owners to improve energy efficiency – such as through installing renewable energy generating sources like solar panels or improving the building's heat recovery system. The PACE structure is a solid foundation upon which to build resiliency projects. The program allows localities to secure upfront capital costs to fund construction, while spreading the repayment out over many years. It can also lead to lower interest rates on the loan due to higher repayment through the property tax bill, and importantly does not require general fund appropriations for the projects. PACE ties the financing and repayment not to an individual, but to the property.

This bill expands the options for PACE funding to include resilience projects that promote environmental health and public safety by reducing flood risk and improving water quality through flood mitigation, fire and wind resistance, stormwater management projects, and increasing the capacity of our natural systems to provide benefits like storing rainwater and preventing erosion. It would also provide new funding opportunities for remediation projects that promote human health through improving indoor air and water quality, and removing health hazards like mold, lead paint, and asbestos. Through this approach, we are providing a pathway that significantly reduces or eliminates upfront costs for the property owner. Currently, resilience and remediation projects like the aforementioned can only be funded through grants or private financing, which often require the property owner to expend funds upfront or repay financing over a shorter timeframe.

This new funding mechanism also targets some of the most vulnerable parts of our economy. The Federal Emergency Management Agency (FEMA) estimates that over 40% of all small businesses never reopen their doors following a natural disaster. We are already experiencing climate change impacts across Maryland, including more frequent and intense storms, floods, and other natural disasters, and these threats will only continue to increase in frequency and severity in the coming years. Expanding PACE would give small business owners a new, more accessible tool to finance or refinance and deploy projects that could improve their resilience to the growing threat of natural catastrophes and the increasing everyday challenges like nuisance flooding resulting from climate change.

The Conservancy commends Delegate Watson for identifying a solution that creates resources and improves flexibility for property owners and businesses to implement solutions to environmental and human health risks without increasing state or county general fund expenditures.

**Therefore, we urge a favorable report on HB 517.**