NAIOP
MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

March 5, 2024

The Honorable C.T. Wilson, Chair
House Economic Matters Committee
House Office Building, Room 231
Annapolis, MD 21401

Support: HB 1435 – Renewable Energy – Net Energy Metering Aggregation, Credits and Taxes

Dear, Chair Wilson and Committee Members:

NAIOP represents 22,000+ commercial real estate professionals in the United States and Canada. Our Maryland membership is comprised of a mix of local firms and publicly traded real estate investment trusts that have long-standing investments in Maryland but also have experience in national and international markets.

NAIOP members deliver office, mixed use, multi-family, and warehouse developments that meet the changing ways that people work, live, shop and play. On behalf of our member companies, I am writing to support HB 1435 which provides important incentives for installation of solar generating facilities.

NAIOP members have corporate sustainability and building performance objectives that, under the right conditions, can be met with solar installations. NAIOP member Prologis, a global leader in logistics real estate, has installed five hundred megawatts (MW) of rooftop solar energy on its way to a company goal of one gigawatt (GW) by 2025.

Our members also serve tenants that desire to include solar in leased space or new construction; some companies see leasing rooftop space for solar or generating power for use on-site as a value-added investment.

At the building level influential factors affect the feasibility of projects include the age and size of the roof, whether the building is multi-tenant or a single user, competing uses for rooftop space such as skylights, communications equipment, and outdoor amenities. Utility interconnection costs, the value of solar renewable energy credits and the community solar subscriber mix, are also influential.

The overall feasibility of rooftop solar projects is influenced by a wider set of variables and depends on meeting the financial and performance requirements of solar providers, owners and tenants of host buildings, utility operators and rate payers. Some factors are market or policy based. Some factors influence all projects, some are location specific.

For Maryland, finding the right balance point in solar policymaking has been challenging. Rooftop solar installations have lagged other states for reasons related to policy and market conditions. Policy changes to improve the economics of solar projects are necessary to reinvigorate the market, accelerate progress toward Maryland's renewal power goals and counter the scheduled decline in the value of Solar Renewable Energy Credits. (SRECs)

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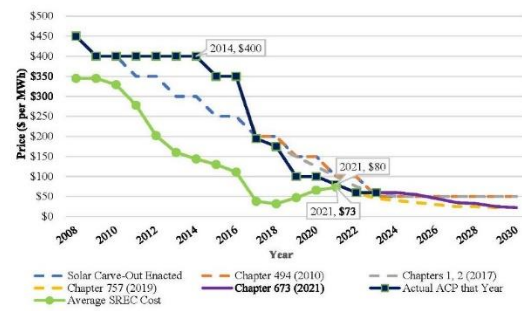
The most visible factor is the statutory reduction in the value of Alternative Compliance Payments (ACP) that apply to utilities under the Renewable Portfolio Standard. The value of ACP as illustrated by the purple line in Exhibit 1.4, is scheduled to decline by approximately 70% by 2030. Since ACP payments serve as a benchmark for the value of SRECs, their declining value raises concerns about the long-term financial viability and return on investment for solar generating facilities.

Exhibit 1.4
Statutory Changes in Solar Energy ACP Price Under the RPS Compared to Actual ACP Price by Year and Average SREC Cost by Year



Source: Public Service Commission; Department of Legislative Services

HB 1435 counters the scheduled decline in price by providing bonus SRECs for qualifying solar generating facilities. The bill also takes other sensible and beneficial steps by increasing the cap on the size of net metered generating systems and establishing tax exemptions for equipment and related real estate.

Together, the proposed changes and incentives balance the needs of various stakeholders and improve the value proposition in ways that have the potential to accelerate the market adoption of small solar generating facilities.

<u>For these reasons NAIOP respectfully requests your favorable report on HB 1435</u>

Sincerely,

T.M. Ballentine

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

cc: Economic Matters Committee Members
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