Maryland
DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

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Governor

ARUNA MILLER
Lt. Governor

JACOB R. DAY
Secretary

JULIA GLANZ
Deputy Secretary

DATE: **January 21, 2025**

BILL NO.: **Senate Bill 247**

TITLE: **Housing and Community Development – Greenhouse Gas Emissions Reductions – Issuance of Loans and Achievement of Targets**

COMMITTEE: **Senate Education, Energy, & the Environment Committee**

Letter of Support

<u>Description of Bill:</u>

Senate Bill 247 focuses on reducing greenhouse gas emissions in Maryland via two amendments to existing laws:

1. It authorizes the Department of Housing and Community Development (DHCD) to issue loans, in addition to grants through its MEEHA Greenhouse Gas Reduction Program, as defined in Housing and Community Development article 4-211. The program provides funding for projects targeting emissions reductions in multifamily residential buildings, specifically those housing low-income households.
2. It also expands eligible funding sources that can be used for achieving the emissions reduction targets defined in Public Utilities article 7-224.

<u>Background and Analysis:</u>

The proposed amendments will enable DHCD to expand the delivery of greenhouse gas savings to more participants and at a lower budget.

1. Issuing program funds as a loan will make the MEEHHA Greenhouse gas Reduction Program more available for all eligible housing projects.
   a. Projects that have or are seeking tax credits have their basis reduced when the project receives grant funds which reduces the investors tax credits. This often disincentivizes projects from participating in the program and their residents lose out on receiving the benefits.
   b. DHCD runs another energy program for affordable housing projects (the EmPOWER funded MEEHA program) that already successfully employs this approach and half of its participants receive the funds in the form of 0% deferred loans, instead of grants.
   c. By allowing loans as a funding vehicle, the Greenhouse Gas Reduction program will become more attractive for more types of affordable housing properties and more residents will be able to benefit.
2. In 2023, energy saving targets for DHCD were established through HB 169, which allowed DHCD to "INCLUDE SAVINGS ACHIEVED THROUGH ALL FUNDING SOURCES TO THE EXTENT CONSISTENT WITH FEDERAL LAW OR REGULATIONS GOVERNING THOSE FUNDING SOURCES".
   a. Based on this language, DHCD designed its plan to achieve the savings targets by including all available funding sources that provide energy savings to low-income households. This plan was accepted and approved by the PSC in 2023.
   b. In 2024, HB864 repealed the law as previously planned for, and replaced it with the current law that limits the funding sources to only those that are consistent with DOE or EmPOWER. Based on this limitation, DHCD would no longer be able to count half of the funding sources that were included in its approved original plan. For example, the energy savings provided through MEAP, Greenhouse Gas Reduction program, and its Rental Lending programs would no longer count because they are not

governed by DOE or EmPOWER. Any incoming federal funding provided by EPA, or the governor's climate downpayment would also not count. However, they produce energy savings that benefit low-income households.

c. DHCD has procured the savings to meet the targets based on the original law, however it needs to be permitted to use all of those funding sources. If a good portion of the procured funding no longer counts towards the savings targets, DHCD would need to seek out additional funding that can count, which under the current law would either have to come from the EmPOWER surcharge or from DOE. All DOE funding opportunities have been exhausted, therefore an increased request of EmPOWER funds would be the most likely outcome.

DHCD Position

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on SB 247.