T&E ITEM #2
June 15, 2015
Worksession

MEMORANDUM

June 11, 2015

TO: Transportation, Infrastructure, Energy and Environment Committee

FROM: Amanda Mihill, Legislative Attorney

SUBJECT: **Worksession:** Bill 18-15, Environmental Sustainability – Montgomery County Green Bank

Bill 18-15, Environmental Sustainability – Montgomery County Green Bank, sponsored by Lead Sponsor Councilmember Berliner and Co-Sponsors Councilmembers Leventhal, Hucker, Riemer, Elrich, Rice, and Navarro was introduced on April 21, 2015. A public hearing was held on June 9 at which 2 speakers (including a representative of the Executive) supported Bill 18-15 (see testimony and correspondence on ©16-28).

Bill 18-15 would:

(1) authorize County government to designate a County Green Bank to promote the investment in clean energy technologies;
(2) specify the process to designate a nonprofit corporation to function as the Green Bank;
(3) define the nature and powers of the Green Bank;
(4) establish a Green Bank Work Group to review the application of Chapter 18A, Article 7 and make recommendations regarding the implementation of the Montgomery County Green Bank; and
(5) generally amend the environmental sustainability law.

Issues for Committee Discussion

1. ***Purpose section.*** Executive staff have suggested modifications to the purpose section in 18A-44 (©1-2, lines 4-38). According to the comments on ©17, this language was provided by the Coalition for Green Capital and would offer a comprehensive description of the Green Bank's capabilities. Specifically, Executive staff recommend deleting the following language from the purpose section:

(a) develop separate programs to support clean energy investment in residential, municipal, small business, and larger commercial projects;
(b) finance investment in clean energy technologies in accordance with a comprehensive plan developed by it to foster the growth, development, and commercialization of renewable energy sources and related enterprises;

(e) provide financing for clean energy technologies;

Executive staff would then add the following at the beginning of the purpose section and renumber the remaining existing purpose clauses:

(a) serve and support the deployment of clean energy technologies in any sector, including residential single family homes and multifamily, commercial, industrial, non-profit, municipal governments, universities and colleges, schools, and hospitals;

(b) offer a range of financing structures, forms and techniques, such as senior loans, subordinate loans, credit enhancements, guarantees, warehousing, securitization, and other techniques that can both lower the cost of financing and increase private investment in clean energy technologies;

(c) leverage private investment in energy projects through financing mechanisms that support, enhance, or complement private investment;

 (i) recognizing that equity investments carry more risk and may require longer term commitment to a project, justifying compliance with strict investment guidelines to be established by the Board of Directors;[1]

(d) accept capital from the county, the state, the federal government, from non-profits, from foundations, and any other capital source that the Green Bank governance deems to be attractive and useful;

(e) recapitalize its funds by selling assets (loans) through private placement or other securitization;

Council staff does not object to these revisions. The Sierra Club recommended the purpose section of the bill be amended to specifically include nonprofit projects (©20-22). Council staff does not object to this and notes that the Executive's proposed paragraph (a) includes that sector.

Finally, the Apartment and Office Building Association of Metropolitan Washington (AOBA) recommended that the Council consider providing statutory guidance to the Board of Directors to prioritize the responsibilities set forth in this purpose section because of the finite funding (©26-28). Council staff believes that this is more appropriately addressed by the Green Bank's Board of Directors in setting the parameters of the Green Bank's program.

2. *Definitions.* As introduced, Bill 18-15 includes definitions for clean energy technologies (©3, lines 41-47), energy efficiency project (©3-4, lines 48-77), and renewable energy project (©5, lines 85-89). Executive staff have proposed modifying these definitions and adding a definition for "energy efficiency and/or renewable energy improvement". See ©17-19. Executive staff note that the proposed definitions would more closely align with the Commercial PACE legislation definitions and assert that these would be a "sector-neutral" set of improvements that could be made under 18-15. Council staff does not object to these revisions.

As introduced, the definition of "energy efficiency project" encompassed improvements made to single-family homes. The Sierra Club (©20-22) and AOBA (©26-28) recommended that the

[1] Although Executive staff have suggested a subpoint under proposed section (c), Council staff suggests moving this subpoint to a stand alone point between current (f) and (g) (©2, lines 21-25).

definition of "energy efficiency project" be expanded to include multi-family properties. The Executive's recommended definition would include multi-family properties. AOBA also recommended removing the word "permanent" from the definition. AOBA notes that some of the example listed, such as caulking and weather-stripping, are not permanent. In this context, "permanent" is not intended to indicate that the project will be forever on the home; rather the intent is that the project is not easily removed and is intended to be left on the property. This definition is consistent with other definitions in the Code and staff recommends retaining the word "permanent".

Finally, as introduced, Bill 18-15 includes a definition of "renewable energy sources" as follows (©5, lines 90-100):

> Renewable energy source means a source of energy that naturally replenishes over a human, not a geological, time frame and that is ultimately derived from solar power, water power, or wind power. Renewable energy source does not include petroleum, nuclear, natural gas, or coal. A renewable energy source comes from the sun or from thermal inertia of the earth and minimizes the output of toxic material in the conversion of the energy and includes:
>
> (1) non-hazardous, organic biomass material;
> (2) solar electric and solar thermal energy;
> (3) wind energy;
> (4) geothermal energy; and
> (5) methane gas captured from a landfill.

The Sierra Club recommends removing (4) and (5) from this definition because their status as "clean, low carbon energy sources" is questionable. The Sierra Club noted that biomass is a growing energy source that if done improperly can be harmful to the environment. They further noted that using methane gas from landfills to generate electricity could have a beneficial climate impact, but in practice the benefits are likely outweighed by increases in uncontrolled methane emissions (©21). Council staff notes that the definition in Bill 18-15 is consistent with the definition in the recently-enacted PACE legislation. Executive staff note that inclusion of these sources is generally consistent with how the state classifies renewable sources and as a practical matter, the Green Bank is unlikely to be involved in these areas.

3. *Board of Directors.* As introduced, Bill 18-15 the Green Bank would have a Board of Directors of 11 members; the Directors of Environmental Protection and Finance would be ex-officio non-voting members (©6, lines 125-129). Executive staff recommend that the Directors be voting members and that the Executive appoint up to 3 additional board members, subject to Council confirmation (©17). Council staff concurs with this recommendation.

Bill 18-15 states that the voting members of the Board of Directors should include:

- representatives of residential or low-income groups;
- representatives of environmental organizations;
- representatives of business organizations;
- persons with experience in investment fund management;
- persons with banking and lending experience;
- persons with experience in the finance or deployment of renewable energy; and

- persons with experience in research and development or manufacturing of clean energy.

The Sierra Club urged that the Board include representatives of residential *and* low-income groups. Also, the Sierra Club argued that the bill should require that efforts be made for the board to be representatives of the County's racially and ethnically diverse population. Council staff agrees that diversity is always an important goal, but does not recommend that amendment.

4. *Work Group membership.* Bill 18-15 would require the Executive to convene a Green Bank Work Group to review the legislation after it is enacted and submit a report to the Council and Executive with any recommended changes. As introduced, the Work Group would be composed of representatives from the County departments of Environmental Protection, Finance, and Economic Development; investment and financing industry, such as regional and national banks, property trusts, and other lending institutions or companies; building owners and managers; industry trade associations; nonprofit organizations; and utility companies(©9, lines 198-212). Executive staff (©16), the Sierra Club (©20), and Efficiency First (©23) note that absent among these listed members is representatives of environmental organizations or energy service companies. While these representatives could be included without language changes, Council staff recommends amending the membership criteria to include these members.

5. *Non-energy job costs.* Efficiency First recommends that the "loan criteria" be amended to include an allowance for non-energy items. Efficiency First provides several examples as to why this allowance is important. For instance, a homeowner may need to repair a leaky roof in order install insulation in the attic. Efficiency First suggests this allowance be 25% of job cost (©24). Council staff believes that this is more appropriately addressed by the Green Bank's Board of Directors in setting the parameters of the Green Bank's program. Importantly, Council staff does not see anything in the legislation that would prevent the Green Bank's Board of Directors from including this in the loan criteria.

6. *Work specifications.* Efficiency First noted that the legislation does not provide a work specification or requirements for installers and recommends that the legislation ensure that homeowners follow best practices when making improvements (©24). Council staff believes that this, too, is more appropriately addressed by the Green Bank's Board of Directors and not in Bill 18-15.

This packet contains:	Circle #
Bill 18-15	1
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- persons with experience in research and development or manufacturing of clean energy.

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Bill No. 18-15
Concerning: Environmental Sustainability – Montgomery County Green Bank
Revised: 4/16/2015 Draft No. 3
Introduced: April 21, 2015
Enacted: October 21, 2015
Executive:
Effective:
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Berliner
Co-Sponsors: Councilmembers, Leventhal, Hucker, Riemer, Elrich, Rice, and Navarro

AN ACT to:

(1) authorize County government to designate a County Green Bank to promote the investment in clean energy technologies;
(2) specify the process to designate a nonprofit corporation to function as the Green Bank;
(3) define the nature and powers of the Green Bank;
(4) establish a Green Bank Work Group to review the application of Chapter 18A, Article 7 and make recommendations regarding the implementation of the Montgomery County Green Bank; and
(5) generally amend the environmental sustainability law.

By adding
Montgomery County Code
Chapter 18A, Environmental Sustainability
Article 7
Sections 18A-44, 18A-45, 18A-46, 18A-47, 18A-48, 18A-49, and 18A-50

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Article 7 (Sections 18A-44, 18A-45, 18A-46, 18A-47, 18A-48, 18A-49, and 18A-50) is added as follows:

Article 7. Montgomery County Green Bank.

18A-44. Purpose.

The County Government should support the formation of a Montgomery County Green Bank to promote the investment in clean energy technologies in the County. The Green Bank must be able to:

(a) develop separate programs to support clean energy investment in residential, municipal, small business, and larger commercial projects;

(b) finance investment in clean energy technologies in accordance with a comprehensive plan developed by it to foster the growth, development, and commercialization of renewable energy sources and related enterprises;

(c) stimulate the demand for clean energy and the deployment of clean energy technologies that serve end-use customers;

(d) before making an loan, loan guarantee, or other form of financing support for clean energy technologies, develop rules, policies, and procedures to specify borrower eligibility and any other term or condition of financial support;

(e) provide financing for clean energy technologies;

(f) provide by resolution for the issuance of negotiable revenue bonds to finance clean energy technologies;

(g) assess reasonable fees on its financing activities to cover its reasonable costs and expenses, as determined by the Board of Directors appointed under Section 18A-47;

(h) make information regarding rates, terms, and conditions for all of its financing support transactions available to the public for inspection, including formal annual reviews by both a private auditor and the Director of Finance, and provide details to the public on the Internet unless such disclosure includes a trade secret, confidential commercial information, or confidential financial information;

(i) provide leadership on environmental issues at both the County and State levels;

(j) maintain close liaison with government agencies and elected representatives at both the County and State levels to achieve the goals of the Green Bank; and

(k) undertake any other activities deemed by the Board of Directors to support the mission of the Green Bank.

18A-45. Definitions.

In this Article, the following words have the meanings indicated:

Clean energy technologies means energy resources and emerging technologies that have significant potential for commercialization and do not involve the combustion of coal, petroleum or petroleum products, municipal solid waste, or nuclear fission. *Clean energy technologies* includes renewable energy sources, renewable energy projects, energy efficiency projects, alternative fuels used for electricity generation, alternative fuel vehicles and related infrastructure such as electric vehicle charging station infrastructure, and smart grid.

Energy efficiency project means a permanent improvement made to an existing single-family home that:

(1) reduces the consumption of energy in the home, including:

(A) caulking and weatherstripping doors and windows;

(B) heating and cooling system efficiency modifications, including:

(i) replacing a burner, furnace, heat pump, or boiler, or air conditioner with a high efficiency model;

(ii) installing a device to modify flue openings that increases the energy efficiency or the heating system;

(iii) any electrical or mechanical furnace ignition system which replaces a standing gas pilot; and

(iv) any tune-up that increases the operating efficiency;

(C) a programmable thermostat;

(D) ceiling, attic, wall, or floor insulation;

(E) whole house air sealing;

(F) water heater tune-up, water heater insulation, pipe insulation, or change out to an ENERGY STAR qualified water heater;

(G) storm windows or doors or ENERGY STAR qualified window or door replacement;

(H) air distribution system improvements, including duct insulation and air sealing;

(I) any device which controls demand of appliances and aids load management; and

(J) any other conservation device, renewable energy technology, and specific home improvement that reduces the consumption of energy in the home; and

(2) meets safety and performance standards set by a nationally recognized testing laboratory for that kind of device, if these standards are available.

Energy efficiency project does not include a standard household appliance, such as a washing machine or clothes dryer.

Green Bank means the Green Bank that the County has designated to promote the investment in clean energy technologies and provide financing for clean energy technologies, including renewable energy and energy efficiency projects.

Maryland Open Meetings Act means the Maryland Open Meetings Act, codified at Sections 3-101 through 3-501 of the General Provisions Article of the Maryland Code.

Renewable energy project means a project that:

(1) creates, converts, stores, or actively uses renewable energy;

(2) is permanently installed on the home or property; and

(3) meets safety and performance standards set by a nationally recognized testing laboratory for that kind of device, if these standards are available.

Renewable energy source means a source of energy that naturally replenishes over a human, not a geological, time frame and that is ultimately derived from solar power, water power, or wind power. *Renewable energy source* does not include petroleum, nuclear, natural gas, or coal. A *renewable energy source* comes from the sun or from thermal inertia of the earth and minimizes the output of toxic material in the conversion of the energy and includes:

(1) non-hazardous, organic biomass material;

(2) solar electric and solar thermal energy;

(3) wind energy;

(4) geothermal energy; and

(5) methane gas captured from a landfill.

18A-46. Designation.

(a) The County Council must designate, by resolution approved by the County Executive, a single nonprofit corporation which complies with all requirements and criteria of this Article as the County's Green Bank. If the Executive disapproves the resolution within 10 days after receiving it, the Council may readopt the resolution with at least 6 affirmative votes.

(b) (1) Except as provided in (b)(2), any designation under this Section expires at the end of the fifth full fiscal year after the resolution is adopted unless the Council extends the designation by adopting another resolution under this Section.

(2) If the Council President does not notify the Chair of the designated Bank's Board of Directors, not later than June 30 of the fourth full fiscal year of the designation term, that the Council may allow the current designation to expire, the designation is automatically extended for another 5-year term.

(c) The Council at any time may suspend or revoke the designation of a corporation as the County's Green Bank by resolution, adopted after at least 15 days public notice, that is approved by the Executive, or, if the Executive disapproves the resolution within 10 days after receiving it, is readopted by a vote of at least 6 Councilmembers.

(d) To continue to qualify as the County's Green Bank, a corporation's articles of incorporation and bylaws must comply with all requirements of this Article.

18A-47. Board of Directors.

(a) To qualify as the County's Green Bank, a corporation's Board of Directors must have no more than 11 voting members. The corporation's bylaws should also allow the Directors of Environmental Protection and Finance to serve as ex-officio non-voting members along with any other nonvoting members authorized under the bylaws.

(b) Each voting member should be a resident of the County. The members of the Board of Directors should include:

(1) representatives of residential or low-income groups;

(2) representatives of environmental organizations;

(3) representatives of business organizations;

(4) persons with experience in investment fund management;

(5) persons with banking and lending experience;

(6) persons with experience in the finance or deployment of renewable energy; and

(7) persons with experience in research and development or manufacturing of clean energy.

(c) A member must not be paid for service on the Board but may be reimbursed for necessary travel expenses.

(d) A member is not subject to Chapter 19A because of serving on the Board. The Bank's bylaws must include provisions defining and regulating conflicts of interest by Board members and Bank staff.

(e) Notwithstanding any inconsistent provision of Section 19A-21, a member of the Board of Directors who engages in legislative or administrative advocacy as part of that member's duties on the Board is not required to register as a lobbyist under Article V of Chapter 19A because of that advocacy.

(f) The Board must direct the program, management, and finances of the corporation.

18A-48. Status; incorporation; bylaws.

(a) To qualify as the County's Green Bank, a corporation's articles of incorporation must provide that the corporation is:

(1) a tax-exempt nonprofit corporation;

(2) not an instrumentality of the County; and

(3) incorporated for the sole purpose of serving as the County's Green Bank.

(b) The Green Bank's bylaws may contain any provision, not inconsistent with law or the articles of incorporation, necessary to govern and manage the Bank. The Green Bank may exercise all powers and is subject to all requirements under the Financial Institutions Article of the Maryland Code.

(c) The Board must adopt and may amend the Green Bank's bylaws. The Board must submit any proposed amendment to the articles of incorporation or bylaws to the Executive and Council for review and comment at least 60 days before the Board takes final action on the amendment. The Board must submit a copy of each adopted amendment to the Executive and Council within 5 days after adoption.

(d) The bylaws must require the Green Bank to comply with the Maryland Open Meetings Act and provide that all meetings of the Board of Directors must be open to the public except when closed on a recorded vote of the Board for a reason expressly listed in the state law.

18A-49. Work program; staff; support from County Government.

(a) The Board of Directors must adopt a work program each year to advance the policy objectives and perform the activities listed in Section 18A-44.

(b) The Green Bank's work program may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.

(c) The Board must meet with the Executive and the Council at least semi-annually.

(d) The Department of Environmental Protection should, if the Board of Directors requests, provide administrative support for the Green Bank, including contracts, grants, or services in kind, subject to appropriation.

(e) Funding sources for the Green Bank may include:

(1) federal, State, or County funds provided to it;

(2) charitable gifts, grants, or contributions and loans from individuals, corporations, university endowments, and philanthropic foundations; and

(3) earnings and interest derived from financing support activities for clean energy technologies backed by the Green Bank.

The Green Bank may also raise private funds and may accept services from any source consistent with its purpose.

18A-50. Report

The Board of Directors must report annually on the activities and finances of the Green Bank to the Executive and Council.

Sec. 2. Green Bank Work Group.

(a) The Executive must convene a Green Bank Work Group. Members of the Work Group must include representatives from the County departments of Environmental Protection, Finance, and Economic Development; investment and financing industry, such as regional and national banks, property trusts, and other lending institutions or companies; building owners and managers; industry trade associations; nonprofit organizations; and utility companies.

(b) The Work Group must:

(1) review the application of Chapter 18A, Article 7, as added by Section 1 of this Act, in the context of relevant best practices and local needs; and

(2) submit a report to the County Council and County Executive by [1 year from date of enactment] with recommendations on implementing Chapter 18A, Article 7, including any proposed amendments to County Law.

LEGISLATIVE REQUEST REPORT

Bill 18-15
Environmental Sustainability – Montgomery County Green Bank

DESCRIPTION:	Bill 18-15 would authorize County government to designate a County Green Bank to promote the investment in clean energy technologies; specify the process to designate a nonprofit corporation to function as the Green Bank; define the nature and powers of the Green Bank; establish a Green Bank Work Group to review the application of Chapter 18A, Article 7 and make recommendations regarding the implementation of the Montgomery County Green Bank; and generally amend the environmental sustainability law
PROBLEM:	Investing in clean energy technologies can be a cost-effective way to reduce greenhouse gas emissions. However, the lack of accessible financing options is a barrier to many property owners and may prevent them from making these energy efficiency improvements
GOALS AND OBJECTIVES:	To establish a program to provide property owners with a financing option to invest in clean energy technologies.
COORDINATION:	Departments of Finance and Environmental Protection
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Amanda Mihill, Legislative Attorney, 240-777-7815
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	N/A

ROCKVILLE, MARYLAND

MEMORANDUM

May 11, 2015

TO: George Leventhal, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FEIS for Bill 18-15, Environmental Sustainability - Montgomery County Green Bank

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
David Platt, Department of Finance
Jed Millard, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Bill 18-15, Environmental Sustainability – Montgomery County Green Bank

1. **Legislative Summary:**

   This legislation would 1) authorize County government to designate a County Green Bank to promote the investment in clean energy technologies; 2) specify the process to designate a nonprofit corporation to function as the Green Bank; 3) define the nature and powers of the Green Bank; 4) establish a Green Bank Work Group to review the application of Chapter 18A, Article 7 and make recommendations regarding the implementation of the Montgomery County Green Bank; and 5) generally amend the environmental sustainability law.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   The Department of Finance estimates that in the first year development phase of the establishment of a Montgomery County Green Bank contractual bond counsel and professional financial advisor services would be required. These services would be required to review, comment, and participate with the work group created by the legislation to develop final plans for establishment of a Green Bank.

   The Department estimates a total of $25,000 for 125 hours of contracted bond counsel services at $200 per hour. An additional $50,000 would be required for nearly 225 hours of contracted financial advisor services. The Department estimates that these services would be required only in the first year of development of a Montgomery County Green Bank and will not incur any additional ongoing costs. The total fiscal impact to the Department of Finance is $75,000 in the first year only.

   The legislation states that "the Department of Environmental Protection should, if the Board of Directors requests, provide administrative support for the Green Bank, including contracts, grants, or services in kind, subject to appropriation." At this time, it is not possible to determine the fiscal impact for the Department of Environmental Protection as it is unknown if the Board of Directors will request administrative support or what volume of administrative support would be requested.

   The legislation also states that funding sources for the Green Bank may include federal, State, or County funds provided to it. If later decisions are made to provide County funds to the Green Bank in any given fiscal year, that amount would constitute an additional fiscal impact. No additional revenues are expected as a result of Bill 18-15.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

   In the first year of development of a Montgomery County Green Bank, the Department of Finance would require $75,000 in contracted financial advisor and bond counsel services. There are no ongoing costs beyond the first year for the Department of Finance.

   As stated above, a projection of costs over a six-year period for the Department of Environmental Protection is unable to be determined at this time.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

   Not applicable.

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   The Board of Directors may request that the Department of Environmental Protection provide administrative support. This could potentially require additional resources for the Department of Environmental Protection; however, it is unknown at this time if support would be requested or at what level. The Bill also allows for County funds to be provided to the Green Bank. If later decisions are made to provide County funds to the Green Bank, this would constitute an additional fiscal impact.

7. **An estimate of the staff time needed to implement the bill.**

   The Department of Finance would require 125 hours of contracted bond counsel and 225 hours of contracted financial advisor services. It is unknown at this time what level of administrative support may need to be provided by the Department of Environmental Protection because the Board of Directors of the Green Bank would have to request such support.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   At this time, there will be no impact to current staff duties and responsibilities as a result of approval of Bill 18-15. However, if the Board of Directors requests administrative support from the Department of Environmental Protection, additional staff resources may be required if the Department is not able to provide the level of requested support within its approved personnel complement.

9. **An estimate of costs when an additional appropriation is needed.**

   Not applicable.

10. **A description of any variable that could affect revenue and cost estimates.**

    See #6 above.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    It is difficult to determine the cost of additional administrative support that may be provided by the Department of Environmental Protection. Additionally, the amount of County funds provided to the Green Bank in any given fiscal year is uncertain and not possible to project at this time.

12. **If a bill is likely to have no fiscal impact, why that is the case.**

    Not applicable.

13. **Other fiscal impacts or comments.**

    Not applicable.

14. **The following contributed to and concurred with this analysis:**

    Joe Beach, Rob Hagedoorn, and Mary Casciotti: Department of Finance

    Jedediah Millard: Office of Management and Budget

Jennifer A. Hughes

Jennifer A. Hughes, Director
Office of Management and Budget

5/8/15
Date

Economic Impact Statement
Bill 18-15, Environmental Sustainability-Montgomery County Green Bank

Background:
This legislation would 1) authorize County government to designate a County Green Bank to promote the investment in clean energy technologies; 2) specify the process to designate a nonprofit corporation to function as the Green Bank; 3) define the nature and powers of the Green Bank; 4) establish a Green Bank Work Group to review the application of Chapter 18A, Article 7 and make recommendations regarding the implementation of the Montgomery County Green Bank; and 5) generally amend the environmental sustainability law.

1. The sources of information, assumptions, and methodologies used.

The sources of information include the Coalition for Green Capital, Maryland Commission for Clean Energy (MCEC), and the Connecticut Green Bank.

2. A description of any variable that could affect the economic impact estimates.

Based on the experience in the State of Connecticut, the Green Bank was able to increase the amount of private contributions $10 for every $1 of Green Bank funding. Also according to 2013 data, Connecticut's Green Bank is credited with $220 million being invested in renewable energy, the creation of 1,200 jobs, and a reduction of more than 250,000 tons of greenhouse gas emissions.

The variable that could most affect the economic impact estimate is the amount of annual investment capital available to capitalize the Green Bank. The success of the Connecticut Green Bank can be seen as attributable to the approximately $40.0 million of annual funding. It is unclear if the Montgomery County Green Bank will have dedicated annual funding. The County Executive has requested approximately a $20.0 million direct one-time contribution from the Pepco-Exelon settlement specifically for establishing a Green Bank. Recurring annual funding contributions may be necessary for the successful long-term operation of a Green Bank in Montgomery County.

The State of Maryland is exploring the development of a Green Bank. The Maryland Clean Energy Center (MCEC) was tasked by SB 985 to evaluate the need for a Green Bank. Phase I, which studied the structure and organization of Green Banks established in other states, was completed in December 2014. Phase II, which is to examine and recommend the sources of capital for a Green Bank and the best method for establishing a Green Bank, is scheduled to be completed by December 2015. Having a State and a Montgomery County Green Bank may either serve to further stimulate energy investment, or merely substitute funding sources. Therefore, it is unknown what the economic impact would be of having a Green Bank at both governmental levels.

Other variables that may impact economic estimates include: the cost of energy savings technology; the market demand for energy saving technology; the availability of companies manufacturing and installing such technology; the ability to make energy improvement paybacks within a reasonable time period; and the degree to which the private financial markets will be motivated to participate in such energy investments for residential and commercial projects.

Given all of these variables, no definitive estimate of the economic impact of this proposed legislation is possible at this time.

3. **The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.**

It is unknown if the County would be able to replicate the level of private investment that the Connecticut Green Bank has achieved. However, it is generally anticipated that a Green Bank will have a positive economic benefit to the County on employment, investments, and property values. If Montgomery County receives $20.0 million from the Pepco-Exelon settlement and could achieve the 10 to 1 ratio of investment returns that Connecticut has achieved, it would mean that the $20 million initial funding could provide $200 million of energy savings investment in Montgomery County. The specific details of the planned Green Bank program as well as the proposed level of one-time and annual funding would be needed in order to estimate the true economic impact of a Green Bank for Montgomery County.

4. **If a Bill is likely to have no economic impact, why is that the case?**

See response 3.

5. **The following contributed to or concurred with this analysis:** David Platt, Mary Casciotti and Rob Hagedoorn, Finance.

Joseph F. Beach, Director
Department of Finance

4-24-15
Date

TESTIMONY ON BEHALF OF COUNTY EXECUTIVE ISIAH LEGGETT ON COUNCIL TED BILL 18-15, ENVIRONMENTAL SUSTAINABILITY – GREEN BANK

June 9, 2015

Good afternoon, my name is Joseph Beach, Director of the County Department of Finance, and I am here on behalf of County Executive Isiah Leggett to testify in support of Bill 18-15, Environmental Sustainability – Montgomery County Green Bank.

County Executive Leggett negotiated substantial funding for the Green Bank through the Exelon/PHI Merger, recently approved by the Maryland Public Service Commission. Those negotiations resulted in over $31 million in funding for energy efficiency programs and investment in energy technologies, the bulk of which will be used to seed the Green Bank.

Given the constrained County tax-supported resources, the only way to fund the Green Bank at this time is through the funding we negotiated as part of the merger. Bill 18-15 will simply assist us in creating the infrastructure to implement the Green Bank.

Establishment of a Montgomery County Green Bank would be an important next step in the development of the County's effort at financing energy efficiency and renewable energy projects. We have successfully completed our first financing and construction of an energy efficiency project at the Health and Humans Services headquarters in Rockville through the use of Qualified Energy Conservation Bonds and are expecting to proceed with at least two more substantial projects in Fiscal Year 2016. We have established public private partnerships to fund solar photovoltaic installations on over 12 County facilities using private investment. We are in the process of implementing the Commercial PACE legislation to facilitate green energy retrofits in commercial property.

The Green Bank would allow the County to expand its sustainability efforts into other promising areas including support of Commercial PACE, resources for a residential loan loss reserve fund to support residential PACE, financing for clean energy technologies, and additional energy efficiency investment in public facilities. Funds from the merger will also allow us to expand weatherization programs and establish an energy coach network. The Energy Coach Network will work with the Green Bank by promoting community awareness and access to energy efficiency programs.

Thank you for permitting me the time to address the County Council on this important matter.

Additional Comments on Bill 6-15 Green Bank
June 10, 2015

Departments of Environmental Protection and Finance have taken a more detailed review of the legislation, and we offer the following suggestions. We have given particular thought to areas raised by stakeholders in testimony and experts, including Efficiency First, Sierra Club, the Coalition for Green Capital, and Harcourt Brown & Carey.

We offer four areas of comments:

1. **Purpose** – We received some helpful language from Coalition for Green Capital, and have done our best to integrate/add this in. We believes this language is a helpful way to frame and educate about the concept of the Green Bank.
2. **Definitions** – Definitions focus on residential energy efficiency, despite the scope of the Green Bank being broader. Guided by the structure of the Commercial PACE legislation, we suggest broader definitions.
3. **Board of Directors** – Convert the DEP and FIN Directors' appointments to the Board of Directors from ex officio (nonvoting) to voting members and the County Executive has the authority to appoint up to 3 additional board members subject to council approval
4. **The Work Group** - The list of required representation missed a key stakeholder: energy service companies, which we suggest is added.

PURPOSE

In lieu of sub-points (a), (b), and (e), we recommend the following are inserted at sub-point (a). We recommend leading with this language provided by Coalition for Green Capital as it offers a comprehensive description of the Green Bank's capabilities and provides context for the remainder of the Purpose section.

Add subpoints:

(a) serve and support the deployment of clean energy technologies in any sector, including residential single family homes and multifamily, commercial, industrial, non-profit, municipal governments, universities and colleges, schools, and hospitals;

(b) offer a range of financing structures, forms and techniques, such as senior loans, subordinate loans, credit enhancements, guarantees, warehousing, securitization, and other techniques that can both lower the cost of financing and increase private investment in clean energy technologies;

(c) leverage private investment in energy projects through financing mechanisms that support, enhance, or complement private investment;

  (i) recognizing that equity investments carry more risk and may require longer term commitment to a project, justifying compliance with strict investment guidelines to be established by the Board of Directors;

(d) accept capital from the county, the state, the federal government, from non-profits, from foundations, and any other capital source that the Green Bank governance deems to be attractive and useful;

(e) recapitalize its funds by selling assets (loans) through private placement or other securitization;

DEFINITIONS

Under definitions, we propose clarifying the hierarchy of "clean energy technologies" to "energy efficiency/renewable energy project" to "improvements" similar to the PACE legislation. We also added in "improvements" covered under the PACE legislation's definitions so the two sets of definitions are more consistent. This results in a sector-neutral set of improvements that can be made under the Green Bank.

Clean energy technologies includes renewable energy sources, renewable energy projects, energy efficiency projects, alternative fuels used for electricity generation, alternative fuel vehicles and related infrastructure such as electric vehicle charging station infrastructure, and smart grid and battery storage. *Clean energy technologies* means energy resources and technologies that ~~have significant potential for commercialization and~~ do not involve the combustion of coal, petroleum or petroleum products, municipal solid waste, or nuclear fission.

Energy efficiency project means a permanent improvement made to an existing property that reduces consumption of energy.

Renewable energy project means a permanent improvement made to an existing property that creates, converts, stores, or actively uses renewable energy.

Energy efficiency and/or renewable energy improvement or *improvement* means any equipment, device, or material that:

(1) meets safety and performance standards set by a nationally recognized testing laboratory for that kind of device, if these standards are available, and

(2) is intended to decrease energy consumption or expand use of renewable energy sources, including:

- (A) heating, ventilation, and cooling and distribution system ~~efficiency modifications, including:~~modification or replacement, such as:
  - (i) replacing existing equipment ~~a burner, furnace, heat pump, or boiler, or air conditioner~~ with a high efficiency model;
  - (ii) installing a device or retrofit to existing equipment that increase energy efficiency and conservation~~to modify flue openings that increases the energy efficiency or the heating system~~;
  - (iii) any electrical or mechanical furnace ignition system which replaces a standing gas pilot;
  - (iv) any tune-up or maintenance activity that increases the operating efficiency;
- (B) a programmable thermostat;
- (C) ceiling, attic, wall, roof, foundation, or floor insulation;
- (D) whole house air sealing;
- (E) water heater tune-up, water heater insulation, pipe insulation, or change out to an ENERGY STAR qualified water heater;
- (F) storm windows or doors or ENERGY STAR-qualified window or door replacement;
- (G) caulking and weather-stripping doors and windows;
- (H) air distribution system improvements, including duct insulation and air sealing;

(I) any device or energy management system which controls demand of appliances or equipment and aides load management manually, remotely, and/or automatically;
(J) a measure that reduces the usage of water or increases the efficiency of water usage;
(K) an energy recovery system;
(L) electric vehicle infrastructure, such as installation of electric vehicle charging station(s) and any necessary installation or upgrades to electrical wiring or outlets;
(M) commercial-scale lighting upgrades or daylighting system;
(N) any measure or system that makes use of or expands a renewable source of energy, including solar thermal and solar electric, wind turbine, biomass, hydroelectric, geothermal electric, geothermal heat pumps, anaerobic digestion, tidal or wave produced energy, fuel cells using renewable fuels and geothermal direct-use; or
(O) any other installation or modification of equipment, device, infrastructure, structure, or other material necessary to:
   (i) install, operate, or maintain the improvement being installed; or
   (ii) resolve any structural, mechanical, electrical, or other issue that directly jeopardizes the well-being or safety of the building occupants, quality of the indoor environment, or the durability or longevity of the structure on which the project is being installed.

BOARD OF DIRECTORS

To strengthen the connection and accountability of the Green Bank to the County and its goals and intent of the Green Bank, we recommend that the Directors of Environmental Protection and Finance serve as voting members. Add that the County Executive has authority to appoint up to three additional board members subject to Council Approval

Can strike the second sentence under **18A-47. Board of Directors (a)** and include under **(b)** with sub-bullet (1):

(1) Montgomery County Director of Environmental Protection
(2) Montgomery County Director of Finance

WORK GROUP

As mentioned in a previous meeting, it was noted that energy service companies were inadvertently missed in the list of required representatives. We recommend they are explicitly listed and included.

a) The Executive must convene a Green Bank Work Group. Members of the Work Group must include representatives from the County departments of Environmental Protection, Finance, and Economic Development; investment and financing industry, such as regional and national banks, property trusts, and other lending institutions or companies; energy service companies; building owners and managers; industry trade associations, nonprofit organizations, and utility companies.

Testimony of the Montgomery County Sierra Club Regarding Montgomery County Bill 18-15

June 9, 2015

President Leventhal and Council Members. My name is Michal Freedman and I am here as a member of the Montgomery County Sierra Club Executive Committee representing the more than 5,000 Sierra Club members in Montgomery County. I am here to express the Club's support for Bill 18-15 establishing the Montgomery County Green Bank, and to recommend a few amendments to the bill.

As you know, our world is facing an immense and complex challenge: the need to establish, in the very near future, thousands of clean energy projects to transition the world's fossil fuel economy to one that is based on clean, renewable energy. In order to accomplish this, financing obviously is essential. Direct government investment, government grants and subsidies, and private investment all have critical roles to play in defraying the up-front costs of building the new low-carbon economy. But these sources may not be enough, especially since clean energy projects face special financing challenges that conventional energy projects do not. Thus, it is important to look for new ways in which to accomplish the financing that is needed.

Recently, several states, including Connecticut and Hawaii, have pioneered the concept of creating "green banks." This entails the establishment of new institutions to enable government and the private sector to combine and leverage public resources with private-sector funds to fund clean energy projects. These green banks are already promoting cheaper, cleaner, and more reliable energy.

Accordingly, we in the Sierra Club are excited that Montgomery County is poised to join the green-bank movement. Bill 18-15, if enacted and adequately funded, will be of tremendous benefit to county residents who need help in turning to clean energy. The Sierra Club supports the bill's statement of purposes for the new green bank, the bank's organizational structure, and the establishment of a Green Bank Work Group to develop recommendations for implementing the bank.

We also have several recommendations for clarifying and improving the bill.

First, we recommend that the Purpose Section of the bill, which lists the kind of projects covered, be expanded to explicitly reference nonprofit projects. Nonprofit facilities such as childcare centers and religious institutions, many of which are in use weekday, evenings and weekends, would stand to benefit substantially by reducing utility costs..

Second, we recommend broadening the definition of "energy efficiency project", which as currently drafted, is restricted to single-family homes. We urge deleting this restriction so that efficiency projects encompass multi-family housing and other projects. Several studies document how increasing energy efficiency in multi-family housing offers multiple major benefits in terms of reduced emissions, reduced energy bills for low-income residents (thus making housing more affordable) and healthier environments. According to a recent NRDC Report, "Energy expenditures per square foot in rented multifamily apartments are 38 percent higher than in owner-occupied single-family detached homes. Despite this, energy efficiency measures are far less likely to be found in multifamily apartments compared to other housing types." This is an important area for the Bank to support.

Third, while we agree that membership on the board of directors should be broad and diverse, we suggest a few small changes in this regard. Instead of specifying that the board include "representatives of residential or low income groups," we think it preferable to try to include representatives of both types of groups, at least in part because the issues related to multi-family housing often differ from those of single family home owners. We also think that the bill should provide that efforts be made for the board to be representative of the County's racially and ethnically diverse population.

Fourth, we think that the Green Bank Work Group would benefit by including at least one representative of environmental organizations.

Lastly, we are greatly concerned by the specific inclusion of two types of renewable energies whose status as clean, low-carbon energy sources is in doubt. These are biomass and methane gas captured from a landfill. Both biomass and methane gas are carbon-based energy sources, unlike solar and wind.

As recounted in the recent article in the Washington Post, biomass is a growing energy source both here in the United States and in Europe. However, if done improperly, the use of biomass for energy production can produce significant harm to the environment. Biomass, if done in moderation, is potentially sustainable and carbon neutral but only if the amount of regrowth balances the emissions, and only if biomass does not rely on unsustainable forestry and agricultural practices. Unless very carefully managed, the harvesting of plants and trees for biomass operations may damage soil health or fail to assure sustainable regrowth. Biomass projects that grow plants to be harvested as fuel or energy sources require individualized, project-by-project, evaluations of land use, allocation of water resources, the use of any fertilizers or other agricultural chemicals, and the proposed combustion technology.

Reliance on landfill gas to generate electricity is even more problematic. Landfills that contain decomposable organic products produce a substantial volume of methane gas. Methane, in turn, is essentially carbon dioxide on steroids in terms of its climate impact. In theory, using this methane gas to generate electricity could have a beneficial climate impact. In practice, however, that is highly questionable. This is because the benefits obtained are likely greatly outweighed by increases in uncontrolled ("fugitive") methane emissions resulting from the landfill management methods apparently practiced at many projects that aim to increase revenues by increasing and accelerating the amount of methane being produced.

More information may be found regarding using biomass and landfill methane to generate electricity in policy statements included on the national Sierra Club's website. http://www.sierraclub.org/policy/energy.

For these reasons, we urge Montgomery County to be cautious in endorsing the financing of biomass or landfill methane projects through a green bank. Specifically, we recommend that instead of affirmatively defining "renewable energy source[s]" to include biomass and landfill methane, the bill should take a middle position by neither including them nor excluding them. In other words, these two energy sources should be omitted from the list of "renewable energy source[s]" but would not be named (along with petroleum, nuclear, natural gas, and coal) in the list of excluded energy sources. This would allow the Green Bank Work Group, and perhaps the bank's board of directors thereafter, flexibility in deciding whether to use any of the bank's funds to promote these two energy sources.

In conclusion, the Montgomery County Sierra Club fully supports the county's effort to establish a Montgomery County Green Bank, and recommends the inclusion of the bill amendments that I have described in my testimony today.

Thank you for allowing us to participate in this important endeavor, and we look forward to continuing to work with the County to bring a county green bank into full operation.

Efficiency First
Maryland

www.efficiencyfirst.org

June 1, 2015

Dear Montgomery County T&E Committee Members:

Efficiency First Maryland is a nonpartisan nonprofit trade association that represents energy efficiency contractors in public policy discussions at the state and local levels to promote the benefits of energy efficiency for the residential and small businesses sectors. **The Maryland Chapter includes 45 companies with over 600 employees**, and we represent an emerging industry that includes hundreds of firms in the home improvement, HVAC, and lighting industries. About one third of our members are based in Montgomery County, and two thirds of our members serve Montgomery County home owners.

Efficiency First Maryland strongly supports Bill 18-15, Environmental Sustainability – Montgomery County Green Bank, with amendment.

We would like to make four comments.

1. Efficiency First Maryland would like to participate in the Green Bank Working Group. Our members have significant experience with selling loan products directly to home owners seeking energy efficiency upgrades, and we have ideas and insights on how to operationalize and optimize this process. Please include our Chair, Brian Toll, in the working group.

2. The Green Bank paradigm is based on the idea that home owners will seek out "energy efficiency projects." While this idea is consistent with how utility and government program managers talk about this industry, this idea is somewhat out of sync with how customers make buying decisions. In fact, most energy efficiency projects in Maryland are pursued for other reasons. Enhancing indoor comfort is the most common reason. Improving health and safety is another. Lowering energy bills is a distant third.

   The Green Bank's funds are currently restricted in ways that could create significant problems for home owners who are trying to solve real issues in an energy efficient way. For example, Building Performance Institute standards, which are used by Home Performance Contractors, require that every project conform to ASHRAE Standard 62.2-2013 – Ventilation in Low Rise Buildings. These standards require the installation

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of health and safety measures that are not on the approved list.

We would encourage a re-writing of the loan criteria to include an allowance, such as 25% of job cost, for non-energy items. For example, a customer needs to repair a leaky roof before insulation can be installed in their attic. Or, a customer has a back drafting flue pipe that needs to be repaired. A third example could be a customer seeking an indoor air quality solution for their asthmatic child. Weatherized homes are healthier homes because they allow better control of humidity, which can prevent the growth of molds, bacteria and dust mites. This solution requires advanced filtration and ventilation, neither of which appears on the existing list of measures. The legislation needs to recognize that while projects can save energy, that not every item within the project will save energy. Yet they are essential to the goals of the customer.

It would create significant friction for companies selling solutions to be faced by projects that are partially-eligible if customers need to secure two loans before moving forward. If a situation exists where a second loan is required, we hope the Green Bank will develop a cooperative agreement with Banks such that the same loan application could be used to obtain credit for the second loan within the same timeframe, and that a seamless process could be created so that contractors will not lose business.

3. The Green Bank legislation does not provide a work specification or any requirements for installers. For example, the Home Performance with ENERGY STAR program participants complies with Building Performance Institute standards. Individual installers need to be certified by the Building Performance Institute. The Department of Energy also maintains specifications for improvements to existing homes. The legislation should ensure that home owners are following best practices that will ensure the project is successful and that home owners will be safe and healthy in their improved homes.

   Thus, Efficiency First Maryland would oppose the use of funds for products self-installed by home owners who do not have demonstrated expertise (certification). The Green Bank's energy efficiency projects should include oversight to ensure compliance with BPI or similar work specifications. BPI Goldstar contractors, which are companies whose internal processes and work results are overseen by BPI itself, are an excellent source of high quality, compliant work product.

4. Contractors in Maryland have had success with the Maryland Home Energy Loan Program (MHELP) managed by the Maryland Clean Energy Center. We recommend incorporating best practices from the MHELP program into the Green Bank where possible.

In summary, we strongly support Bill 18-15, Montgomery County Green Bank, with amendments.

Sincerely,

Brian P. Toll
Chair, Efficiency First Maryland Chapter
President, ecobeco
brian@ecobeco.com
(240) 396-2141 x704

Josh Notes
Vice-Chair, Efficiency First Maryland Chapter
Chief Operating Officer, greeNEWit
josh@greenewit.com

James Otterbacher
Treasurer, Efficiency First Maryland Chapter
Division Manager, Energy Services Group
jameso@energysvc.com

Tony Crane
Steering, Efficiency First Maryland Chapter
Principal, Efficient Home
tonyc@efficienthomellc.com

Tim Jones
Steering, Efficiency First Maryland Chapter
Vice-President, Glory Energy Solutions
tim.jones@gloryenergysolutions.com

Rob Minnick
Steering, Efficiency First Maryland Chapter
President, Minnick's Heating and Air
rob@minnicks.net

Chris Pfund
Steering, Efficiency First Maryland Chapter
Principal, Zerodraft Maryland
cpfund@zerodraftmd.com

AOBA

— APARTMENT AND OFFICE —
BUILDING ASSOCIATION OF
METROPOLITAN WASHINGTON

WRITTEN STATEMENT OF THE APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON FOR THE JUNE 9, 2015 PUBLIC HEARING ON

B18-15, Environmental Sustainability-Montgomery County Green Bank
B25-15 Economic Development-Reorganization-
Montgomery County Economic Development Corporation
B22-15 Housing Policy – Policy Implementation – Income Restricted Housing Website
B21-15 Finance - Renters' Property Tax Relief Supplement

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is a non-profit trade association representing more than 112,000 apartment units and over 30 million square feet of office space in suburban Maryland, the majority of which, including 57,204 apartment units and 24,809,066 square feet of office space, is in Montgomery County. AOBA is pleased to submit a statement on the following bills: (1) B18-15, Environmental Sustainability - Montgomery County Green Bank; (2) B25-15 Economic Development - Reorganization - Montgomery County Economic Development Corporation; (3) B22-15 Housing Policy – Policy Implementation – Income Restricted Housing Website; and (4) B21-15 Finance - Renters' Property Tax Relief Supplement.

I. B18-15, ENVIRONMENTAL SUSTAINABILITY - MONTGOMERY COUNTY GREEN BANK

AOBA supports Bill 18-15 Environmental Sustainability - Montgomery County Green Bank. The legislation proposes the creation of a County Green Bank to promote clean energy investment in larger commercial properties, residential, small business and municipal projects. The Green Bank will be authorized to provide financing for clean energy technologies. Notably the bill defines "clean energy technologies" to encompass a wide range of projects including alternative fuel vehicles and related infrastructure such as electric vehicle charging station infrastructure. The legislation also directs the Executive to establish a Green Bank Group, composed of key stakeholders including building owners and managers and industry trade associations, tasked with examining best practices and local needs and filing a report with its recommendations, including any proposed amendments. AOBA and its members look forward to serving as active participants.

The possibility of a new financing mechanism represents an exciting opportunity to impact energy use in commercial and multifamily buildings.[1] While building owners can implement low-cost measures to reduce their energy costs, many energy-efficiency projects require a significant financial investment. Finding the dollars for energy-efficient building improvements to commercial and multifamily buildings can be difficult in the best financial times, which is made more difficult in a declining economy. Financing energy efficiency projects is particularly challenging for housing providers. One must also consider that desirable energy-efficiency upgrades for older residential buildings frequently require cost-prohibitive solutions. The establishment of a Green Bank may provide yet another vehicle to allow building owners to move forward with "shovel ready" high impact energy efficiency projects.

While AOBA is generally supportive of the concept before the Council, the legislative proposal raises questions about the funding source for the costs to establish the Green Bank. The bill is silent with regards to the funding source for monies necessary to establish the bank, but AOBA understands that the County will utilize an approximately $20 million *one-time* contribution available from the County's recent settlement with Pepco and Exelon.[2] The legislation, as currently drafted, proposes a self-funding mechanism by which *operating costs* will be financed by assessing fees on the bank's financing activities. While the bill proposes a financing mechanism for operating costs, the Economic Impact Statement raises questions about whether the County may turn to other sources to supplement the funds generated by these fees. Specifically, the Economic Impact Statement notes that "[r]ecurring annual funding contributions may be necessary for the long-term operation of a Green Bank in Montgomery County." If the County does in fact intend for the program to be self-funding, then the Council should revise the bill to explicitly state that the enactment of the proposed statutory scheme, *including all operational costs*, will not have any financial or economic implications beyond the activities specified in the legislation. AOBA strongly advises, for example, against imposing a surcharge on all ratepayers who may or may not benefit from Green Bank activities. Any ongoing costs associated with the creation, operation, and activities of the Green Bank should be recovered through the revenue generated by the lending services derived from those persons or businesses utilizing its services to ensure that the Green Bank is truly a "self-funding" entity.

There exists a multitude of available and possibly duplicative energy financing programs at both the state and local level all designed to achieve a laudable goal – providing access to necessary financing for significant energy efficiency and renewable energy financing needs.[3] As

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[1]According to the U.S. Green Buildings Council, buildings account for 73% of electricity consumption and 38% of the energy use in the United States." *Green Building Facts*, U.S. Green Buildings Council, www.usgbc.org/articles/green-building-facts.

[2]*See* Maryland Public Service Commission Case No. 9361, Order No. 86990, p. 54 ("Exelon shall also provide in equal installments over 3 years, a total of $18.3 million of the CIF funding to Montgomery County to be administered by Montgomery County or an agency designated by Montgomery County. Pepco shall cooperate with Montgomery County on the development and implementation of energy efficiency programs for Pepco customers within Montgomery County. These programs will *include the Montgomery County Green Bank*, the Energy Coach Network, and the Expanded Weatherization Programs.")

[3]The economic impact statement, for example, notes that the state of Maryland may also establish a Green Bank and that "[h]aving a State and a Montgomery County Green Bank may either serve to further stimulate energy *investment or merely substitute resources*." See, for example, Chapter 4- Overview of Maryland's Existing Clean Energy Finance Programs, *Blueprint for Building Energy Economy in Maryland – Green Bank Findings Report, (Blueprint)* December 1, 2014, Maryland Clean

the Council considers creating another vehicle designed to facilitate available financing for energy efficiency projects, AOBA encourages the County to consider bringing the Green Bank, PACE and similar programs under one umbrella organization for residential and commercial property owners to access in order to maximize resources and dollars. This entity could serve as a "one-stop" shop for access to much-needed dollars for building energy efficiency improvements. Consider, for example, the Connecticut Green Bank, California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), and Florida Solar and Energy Loan Fund (Florida SELF), all of which provide loans as part of and in addition to local PACE programs.[4] Creating a centralized resource, with links to State programs, for access to energy efficiency financing, is critical to lender, property owner and other stakeholder participation.

Finally, AOBA recommends several amendments designed to ensure that the Green Bank will meet its stated purpose – promoting investment in clean energy technologies. First, the Council should amend the bill to further clarify the categories of properties eligible to submit "energy efficiency projects." Currently, the bill defines "energy efficiency projects" to mean a "***permanent*** improvement made to an existing ***single-family home.***" AOBA recommends striking the phrase "single family home" to reflect the stated legislative intent in Sec. 18A-44(a) to create a bank that will "develop separate programs to support clean energy investment in *residential, municipal, small business and larger commercial projects*." The Council should also strike the reference to "permanent" since the list of eligible projects in Sec. 18A-45 is much more expansive and includes projects, such as caulking and weather-stripping of doors and windows that will achieve desired energy savings but which are not "permanent." Additionally, with finite funding to finance clean energy investments, the Council may wish to consider providing statutory guidance to the Bank's Board of Directors on effectively prioritizing the stated responsibilities and goals set forth in Sec. 18A-44. Such direction from the Council could help the Green Bank maximize available dollars consistent with legislative intent in a focused manner.

II. B25-15 ECONOMIC DEVELOPMENT - REORGANIZATION - MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION

Bill 25-15 Economic Development - Reorganization - Montgomery County Economic Development Corporation proposes to delegate some of the functions currently performed by the Department of Economic Development to a non-profit entity designated as the Montgomery County Economic Development Corporation ("Corporation"). The Corporation's core functions will be funded by the County, but the proposed structure will also allow it to raise and receive private funds, including grants.

AOBA first wants to commend the County Executive for his continued efforts to create a more robust economic development program that will enhance the County's competitive position

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Energy Center; msa.maryland.gov/megafile/msa/speccol/sc5300/sc5339/000113/020000/020980/unrestricted/20150433e.pdf. See also, page 1 (noting that Maryland's current programs are insufficient to meet the State's multi-billion dollar efficiency and renewable energy financing needs."

[4]Table 1: Green Bank Overview, Blueprint at p. 20