



Testimony on Bill 13-22- Comprehensive Building Decarbonization-Support with Amendments

Submitted by:

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National Housing Trust (NHT) is a non-profit that creates and preserves affordable homes to provide opportunity, advance racial equity, reduce economic disparities, and strengthen community resilience through practice and policy. NHT has preserved 450 affordable rental homes in Maryland.

NHT supports an equitable approach to decarbonizing buildings that does not adversely impact affordable housing providers and residents in Montgomery County. As stated in the Montgomery County Climate Action Plan (CAP), low-income and very low-income households are burdened by the lack of affordable housing in Montgomery County, with demand outgrowing supply.¹ More than half of low-income households in Montgomery County live in multifamily homes.² The CAP further states that "if landlords are required by law to make costly energy efficiency retrofits and/or electrification conversions, this could adversely impact the availability or price of affordable housing, and costs could be passed on to renters."³

NHT appreciates and fully supports the two-year delay for affordable housing included in Bill 13-22. The delay is necessary to accommodate the lengthy development timeline for affordable housing. The "predevelopment phase" in affordable housing, when the project concept is conceived, the building is designed, and construction financing is identified and secured, typically takes 3-5 years. This timeline means affordable housing projects expected to break ground in 2025-2027 are already in predevelopment. Without the delay for affordable housing as currently included in the legislation, affordable housing providers could be required to make significant changes to the construction scope of work, creating financial hardships that might threaten the project's viability.

NHT recommends that the Council take the following additional actions to provide affordable housing providers flexibility and support to decarbonize their buildings without creating financial hardships for residents or contributing to the potential loss of affordable housing:

1. Amend the definition of "Major Renovation" to ensure that the standards apply only to renovation project scopes of work that include replacing mechanical and electrical systems.
2. Require the use of electric heat pumps over electric heat resistance equipment.
3. Create complementary financial and technical assistance programs to support affordable housing providers to adopt high-efficiency space and hot water heat pumps.

¹ Montgomery County Climate Action Plan, pg. 23

² Ibid

³ Ibid



Amend the definition of "Major Renovation" to ensure that the standards apply only to renovation project scopes of work that include replacing mechanical and electrical systems.

The legislation's current definition of "Major Renovation" is too broad. It could impact affordable housing renovation projects where the scope of work does not include addressing existing heating equipment. Decarbonizing an existing multifamily building can be more difficult financially and technically than building a new all-electric multifamily building. Steven Winters Associates analyzed the costs of electrifying space and water heating systems in several existing affordable buildings in Montgomery County.⁴ They found costs of \$13,000-15,000 per dwelling unit. Such costs would significantly burden affordable housing providers, given limited property cash flow and reserves.

The definition of Major Renovation should be amended to ensure that building owners are not required to electrify existing heating equipment if the equipment hasn't reached the end of its useful life and if the replacement of the equipment is not planned as part of the renovation scope. The definition should be amended as follows:

"Major Renovation means any renovation where the work area exceeds 50% or more of major structural components, including exterior walls, interior walls, floor area, roof structure, or foundation, or has an increase of 50% or more of floor area, AND INCLUDES REMOVING AND REPLACING THE EXISTING ELECTRICAL AND MECHANICAL SYSTEMS."

The Washington State Building Code Council followed this approach when it adopted a requirement for commercial buildings and large multifamily buildings to install electric heat pumps. The Code exempts the requirement to install heat pumps if a planned building alteration does not include the replacement of a heating appliance. The New York City Council took a narrower approach by limiting the applicability of its all-electric building code to new construction.

Require the use of electric heat pumps over electric heat resistance equipment.

Electric resistance heating systems are less costly to install than heat pumps but are also less efficient and result in higher utility bills compared to the use of natural gas equipment. More than a quarter of Montgomery County residents pay more than 6% of their annual income on energy bills.⁵ High energy burdens can force families to choose between paying energy bills or other household necessities.

As mentioned above, Washington State's Building Code requires new construction commercial and large multifamily buildings to install heat pumps instead of electric resistance heating. Montgomery County should consider taking the same approach as it develops the all-electric construction code.

⁴ Steven Winters Associates. Building Energy Performance Standards Development – Technical Analysis. Prepared for Montgomery County, Maryland Department of Environmental Protection: February 2022.

⁵ Montgomery County Climate Action Plan, pg. 24-25



Create complementary financial and technical assistance programs to support affordable housing providers to adopt high-efficiency space and hot water heat pumps.

Technical support and resources will be required to ensure that affordable housing providers can install higher-cost heat pumps and adopt high-efficiency measures like high-performing building envelopes, resulting in lower energy costs for residents. NHT applauds the Montgomery County Council's recent actions to provide financial resources to support building decarbonization, including providing \$18.6 million in new funds for the Montgomery County Green Bank and \$1 million to provide incentives for replacing existing fossil fuel equipment in residential, multifamily, and commercial buildings. However, more resources will be needed to provide financial and technical support to scale up high-efficiency, all-electric construction in new and existing affordable housing. Example programs in other jurisdictions with all-electric building requirements include the following:

- **The California Building Initiative for Low-Emissions Development Program (BUILD).**⁶ BUILD provides a design award of up to \$100,000 to defray direct design costs for all-electric new construction projects. The program provides free technical assistance to support building owners through all development phases. The program provides a financial incentive of \$150/metric ton of total annual avoided GHG emissions, multiplied by the 30-year effective life of the building and up to \$1,000 per bedroom depending on the energy savings achieved compared to a standard building.
- **New York City Department of Housing Preservation and Development (HPD) Retrofit Electrification Program.**⁷ The program provides grant funding to cover the incremental construction cost to electrify domestic hot water heating and/or space heating & cooling systems in affordable multifamily housing. Participating building owners have access to a Technical Assistance Provider to design and scope the electrification project. The program provides up to \$26,300 per apartment if building owners electrify hot water, space heating, and cooking appliances and incorporate comprehensive energy efficiency upgrades.

Thank you for considering these recommendations. If you have questions about this testimony, please contact Todd Nedwick, Senior Director of Sustainability Policy, at tnedwick@nhtinc.org or 202-333-8931 ext. 128.

⁶ <https://www.energy.ca.gov/programs-and-topics/programs/building-initiative-low-emissions-development-program>

⁷ <https://www1.nyc.gov/site/hpd/services-and-information/hpd-nyserda-retrofit-electrification-pilot.page>

