



Montgomery County Group

January 28, 2019

Dear County Executive Elrich:

Climate change is the challenge of our time. In Montgomery County we are already experiencing more frequent heavy rains and heatwaves, all expected to become increasingly threatening. Last year, the County Council rightly described the situation as an emergency.

Responding to this emergency requires a range of actions. Some basic principles apply: Policymakers should be looking to actions that are **effective**, having a logical (and preferably evidence-based) relationship to significantly reducing greenhouse gases (GHG); **civic-minded**, calling for *all segments* of our County to collaborate to achieve GHG reductions, because we need to face this emergency together; and **just**, focusing whenever possible on benefitting less affluent residents through lower utility bills, healthier living environments, more accessible transportation, and expanded “green” work opportunities.

Our letter summarizes Sierra Club’s assessment of what Montgomery County should do.

- **For programs that have been functioning for some time**, Sierra Club urges thoughtful evaluation – to understand how successes have been achieved, so they can be multiplied; and to straightforwardly acknowledge shortfalls, so barriers can be identified and overcome.
- **For potential new programs**, Sierra Club believes in the importance of trying to identify best practices. Because the County can’t do everything, it would be wise to build on the experience of like-minded jurisdictions and expert private organizations.
- **To achieve a comprehensive and long-term view of how actions relate to one another and ought to be prioritized and funded.** Sierra Club urges promptly contracting for a consultant to provide technical expertise on relative costs and benefits of various measures as well as trade-offs, as the Montgomery County Climate Mobilization Workgroup envisioned. We also urge the convening of a broadly representative group to review the consultant’s technical findings in recommending priorities and a timeline. In addition, we urge long-term dedicated funding of GHG emissions reduction efforts. Specific dedicated funds have been developed to address stormwater management and solid waste goals. While there is an energy tax on energy use, raising approximately \$200 million annually, none of it is dedicated to programs that would curtail emissions.

Buildings

This letter focuses on buildings, because buildings are the leading source of emissions (53% of the total), and the County has more authority than in other areas. Because our building stock will last decades, conserving energy use in buildings can markedly cut carbon emissions. Reducing energy use (and thus utility costs) can also address the affordability of housing. We expect to provide additional recommendations over the next several months on transportation and other topics.

Current programs

Several County programs to reduce emissions are in place. Evaluating how well they are fulfilling their intended purposes, where they fall short, and how they can be redirected is key to understanding how to reduce emissions most effectively.

The Public Service Commission issued two orders (Orders 86990 and 88128) related to the Exelon/Pepco merger. These direct funding of more than \$41 million for programs in Montgomery County, including the Green Bank and an Energy Coach Network. (Another PSC order, related to the merger of AltaGas and WGL (Order 88631), adds about \$12 million to fund energy efficiency and other programs.)

- ***The Green Bank***

The Green Bank, which was created by 2015 legislation to support clean energy investment, recently launched its first product. Its most recent Annual Report states that it continues “to seek opportunities to support limited-and moderate-income households, multifamily properties and nonprofit organizations.” Understanding its achievements and long-range plans could help guide overall climate planning.

- ***Energy Coach Network (especially for low/moderate income residents)***

The Exelon-Pepco merger orders provides funding for an Energy Coach Network. The Network is described as providing customized, community-level education on energy efficiency and opportunities for assistance. The program is to include coaches across the county, as well as specialized staff to work with limited-income consumers. Understanding current Network roadblocks, the long-term plans, and expected impact of the Network would be helpful, especially in determining what other programs might be needed.

- ***Benchmarking***

The County benchmarking law, which requires owners/managers to report on the energy efficiency of their properties, is intended to encourage market solutions to reduce energy use. It thus ensures that owner/managers become aware of any energy inefficiencies of their properties and requires public reporting so that tenants and others can make informed decisions about the buildings. The County now has three years of data on energy use for large

buildings (250,000 square feet or more) and two years for smaller buildings (50,000 to 250,000 square feet). Understanding what the data tells us about types of buildings where benchmarking has been helpful, and to what extent, as well as types where it has been insufficient, can help in determining how to make the energy efficiency changes required.

New initiatives

To meet the goals of the climate emergency legislation, the County cannot rely solely on existing programs. It needs to act on initiatives that have shown success, or at least promising early results, in other jurisdictions. Below are some examples, but this is a rapidly evolving area, and a core part of the planning process is to analyze these and other possibilities.

Commercial buildings. To the extent that the County can rely on collaboration and private investment, not public financing, for reducing emissions from commercial buildings, we can reserve public funds for other programs, such as the assistance and financing of energy efficiency projects in older multifamily housing. Here are two such ideas.

- ***Convene a Challenge like the Pittsburgh 2030 District***

Several cities, like Pittsburgh, have created **voluntary initiatives that support building owner/managers to work collaboratively** toward lower energy, water, and transportation use – to save money and to increase collective efficiency. Participants commit to meeting challenge goal. In Pittsburgh, builders of new construction commit to carbon neutrality by 2030, while owner/managers of existing buildings aim for 50% lower energy use. More than 500 buildings have made the commitment, and in a single year, 2017, these properties reduced energy use by 12%. The initiative creates a strong peer network that encourages collaboration across different sectors.

- ***Expand Commercial Property Assessed Clean Energy (C-PACE) financing to building elements in new buildings that exceed code***

County C-PACE law has been used to authorize innovative private financing for clean energy in existing buildings. Our understanding is that most jurisdictions with C-PACE use it to provide financing for incremental costs of new construction that goes beyond the requirements of the construction code to reduce emissions. Thus, this financing vehicle could encourage accelerated reductions in emissions through private financing, allowing government financial support to focus on affordable multifamily buildings, where C-PACE might be less available. In Connecticut, under a C-PACE New Construction Pilot program, developers that can demonstrate that a building's performance exceeds a code-compliant baseline by at least 10% (up to 20%), are eligible for financing of 10-20% of total eligible construction costs. The County should assess whether our C-PACE legislation requires amendment and should initiate such a program.

Multi-family housing, especially affordable housing, can pose more financial and technical challenges to improvements. C-PACE is more difficult to use in multifamily housing. Therefore, we suggest focusing on specific programs that address this building sector.

- ***Expand Benchmarking to extend to multi-family housing***

The County benchmarking law does not cover multifamily buildings, which are a major source of emissions. Benchmarking identifies problematic buildings, which is a first step in addressing high-emitting buildings. Of 27 benchmarking laws in the U.S., 20 cover multi-family buildings, including the DC law, which has required benchmarking of multifamily buildings since 2015. The cost of poorly operated and inefficient apartment buildings, measured by high utility bills and drafty, unhealthy homes, falls disproportionately on poor and moderate-income residents. Moreover, providing cost-effective, healthy multifamily housing is important for attracting productive new workers to the County since new entrants to the workforce generally choose multifamily housing as their first residence.

- ***Organize a Retrofit Accelerator Program***

Multi-family housing, especially in the affordable sector, often does not have the technical expertise or resources to chart a path to reduced energy use. New York City has a Retrofit Accelerator Program, a free one-stop resource to help owners and managers increase the sustainability and value of their properties through energy and water upgrades. The advisors choose the right efficiency options, appropriate contractors, the most beneficial financial package, and generally support the construction decisions “from project start to finish.” In Montgomery County, such an initiative might be piloted with a focus on affordable multi-family housing. We understand that the Green Bank is planning a pilot of assisting one or two buildings in retrofitting. We would urge scaling up this pilot.

Montgomery County’s leaders have recognized the gravity of the threat we face from climate change. In the US and around the world, however, the response has been incommensurate with the threat. Sierra Club wants to see Montgomery County become a model of how to turn right words into meaningful action. The leaders of County government must turn fully to the task.

Sincerely yours,

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