



Senate Bill 414 – Climate Solutions Now Act of 2021

Position: Oppose

SB 414 would require newly constructed commercial buildings to meet increasing energy usage reductions, resulting in a net zero energy balance by 2033. It would also require substantial commercial renovation projects to achieve significant reductions in energy usage. Maryland REALTORS® are concerned about the ability of commercial real estate projects to meet these demands in the current market.

In contrast to other real estate sectors, commercial real estate has been hit hard by the COVID-19 pandemic. Commercial lending volume decreased approximately 60% in 2020, and lender losses in the commercial sector exceeded those of the 2008 financial crisis. National economists also predict short-term price declines for retail, office, and hotel properties of 4-7%. Meanwhile, the upfront costs to construct a net-zero commercial building can be up to 15% more than conventional construction. The combination of increased construction costs, decreased market value, and reduced lending availability will jeopardize the financial viability of certain projects.

It is often said that the greenest building is the one that already exists. Because SB 414's requirements extend to substantial renovations, REALTORS® are concerned that we may disincentivize adaptive reuse of existing structures, which are a growing component of successful smart growth and urban renewal efforts. Requiring even more costs for the reuse of commercial structures will hamper efforts to rehabilitate obsolete structures and spur economic investment in areas which need it most.

The mandates for commercial real estate in SB 414 can harm the recovery of the commercial real estate sector. We believe there are other options to encourage and improve the energy efficiency of buildings which do not impose SB 414's significant costs on commercial development and redevelopment. For this reason, REALTORS® must request an unfavorable report.

**For more information contact bill.castelli@mdrealtor.org, susan.mitchell@mdrealtor.org,
or lisa.may@mdrealtor.org**