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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2624

1.1 A bill for an act  
1.2 relating to energy; modifying the property assessed clean energy program; amending  
1.3 Minnesota Statutes 2020, sections 216C.435, subdivisions 3a, 8; 216C.436,  
1.4 subdivision 2.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2020, section 216C.435, subdivision 3a, is amended to read:

1.7 Subd. 3a. **Cost-effective energy improvements.** "Cost-effective energy improvements"  
1.8 means:

1.9 (1) any new construction, renovation, or retrofitting of qualifying commercial real  
1.10 property to improve energy efficiency that is permanently affixed to the property, results  
1.11 in a net reduction in energy consumption without altering the principal source of energy,  
1.12 and has been identified in an energy audit as repaying the purchase and installation costs  
1.13 in 20 years or less, based on the amount of future energy saved and estimated future energy  
1.14 prices;

1.15 (2) any renovation or retrofitting of qualifying residential real property that is permanently  
1.16 affixed to the property and is eligible to receive an incentive through a program offered by  
1.17 the electric or natural gas utility that provides service under section 216B.241 to the property  
1.18 or is otherwise determined to be a cost-effective energy improvement by the commissioner  
1.19 under section 216B.241, subdivision 1d, paragraph (a);

1.20 (3) permanent installation of new or upgraded electrical circuits and related equipment  
1.21 to enable electrical vehicle charging; ~~or~~

2.1 (4) a solar voltaic or solar thermal energy system attached to, installed within, or  
 2.2 proximate to a building that generates electrical or thermal energy from a renewable energy  
 2.3 source that has been identified in an energy audit or renewable energy system feasibility  
 2.4 study as repaying their purchase and installation costs in 20 years or less, based on the  
 2.5 amount of future energy saved and estimated future energy prices;

2.6 (5) any improvement to qualifying farmland, as defined in section 273.13, subdivision  
 2.7 23, that is permanent in nature, results in improved agricultural productivity or resiliency,  
 2.8 and reduces environmental impact; or

2.9 (6) water conservation measures, which includes permanently affixed equipment,  
 2.10 appliances, or improvements that reduce a property's water consumption or that enable the  
 2.11 property to manage water more efficiently.

2.12 Sec. 2. Minnesota Statutes 2020, section 216C.435, subdivision 8, is amended to read:

2.13 Subd. 8. **Qualifying commercial real property.** "Qualifying commercial real property"  
 2.14 means a multifamily residential dwelling, ~~or~~ a commercial or industrial building, or farmland  
 2.15 that the implementing entity has determined, after review of an energy audit ~~or~~, renewable  
 2.16 energy system feasibility study, or agronomic assessment, can be benefited by installation  
 2.17 of cost-effective energy improvements. Qualifying commercial real property includes new  
 2.18 construction.

2.19 Sec. 3. Minnesota Statutes 2020, section 216C.436, subdivision 2, is amended to read:

2.20 Subd. 2. **Program requirements.** A commercial PACE loan program must:

2.21 (1) impose requirements and conditions on financing arrangements to ensure timely  
 2.22 repayment;

2.23 (2) require an energy audit or renewable energy system feasibility study to be conducted  
 2.24 on the qualifying commercial real property and reviewed by the implementing entity prior  
 2.25 to approval of the financing;

2.26 (3) require the inspection of all installations and a performance verification of at least  
 2.27 ten percent of the cost-effective energy improvements financed by the program;

2.28 (4) not prohibit the financing of all cost-effective energy improvements not otherwise  
 2.29 prohibited by this section;

3.1 (5) require that all cost-effective energy improvements be made to a qualifying  
3.2 commercial real property prior to, or in conjunction with, an applicant's repayment of  
3.3 financing for cost-effective energy improvements for that property;

3.4 (6) have cost-effective energy improvements financed by the program performed by a  
3.5 licensed contractor as required by chapter 326B or other law or ordinance;

3.6 (7) require disclosures to borrowers by the implementing entity of the risks involved in  
3.7 borrowing, including the risk of foreclosure if a tax delinquency results from a default;

3.8 (8) provide financing only to those who demonstrate an ability to repay;

3.9 (9) not provide financing for a qualifying commercial real property in which the owner  
3.10 is not current on mortgage or real property tax payments;

3.11 (10) require a petition to the implementing entity by all owners of the qualifying  
3.12 commercial real property requesting collections of repayments as a special assessment under  
3.13 section 429.101;

3.14 (11) provide that payments and assessments are not accelerated due to a default and that  
3.15 a tax delinquency exists only for assessments not paid when due; ~~and~~

3.16 (12) require that liability for special assessments related to the financing runs with the  
3.17 qualifying commercial real property; and

3.18 (13) prior to financing any improvements to or imposing any assessment upon qualifying  
3.19 commercial real property, require notice to and written consent from the mortgage lender  
3.20 of any mortgage encumbering or otherwise secured by the qualifying commercial real  
3.21 property.