

1.1 A bill for an act

1.2 relating to energy finance; authorizing home rule charter and statutory cities to
1.3 make loans to property owners who install energy efficient or renewable energy
1.4 improvements, to be repaid through a special assessment collected through the
1.5 property tax, and to sell revenue bonds to fund the program; amending Minnesota
1.6 Statutes 2008, section 429.101, subdivision 1; proposing coding for new law
1.7 in Minnesota Statutes, chapter 216C.

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

1.9 Section 1. **[216C.435] ENERGY IMPROVEMENTS FINANCING PROGRAM**
1.10 **FOR RESIDENTIAL AND BUSINESS PROPERTY.**

1.11 Subdivision 1. **Definitions.** For the purposes of this section:

1.12 (a) "Biomass" has the meaning given in section 216B.1691, subdivision 1, paragraph
1.13 (a), clause (5), but does not include an energy recovery facility used to capture the heat
1.14 value of mixed municipal solid waste or refuse-derived fuel from mixed municipal solid
1.15 waste as a primary fuel.

1.16 (b) "City" means a home rule charter or statutory city.

1.17 (c) "Energy audit" means a formal evaluation of the energy consumption of a
1.18 building by a certified energy auditor, whose certification is approved by the commissioner,
1.19 for the purpose of identifying appropriate energy improvements that could be made to the
1.20 building and including an estimate of the length of time a specific energy improvement
1.21 will take to repay its purchase and installation costs, based on the amount of energy saved
1.22 and estimated future energy prices.

1.23 (d) "Energy improvement" means:

2.1 (1) any renovation or retrofitting of a building to improve energy efficiency that
2.2 is permanently affixed to the property and that results in a net reduction in energy
2.3 consumption without altering the principal source of energy; or

2.4 (2) a renewable energy system attached to or installed within or proximate to a
2.5 building that generates electrical or thermal energy from a renewable energy source.

2.6 (e) "Qualifying real property" means a single-family or multifamily residential
2.7 dwelling, or a commercial or industrial building, that the city has determined, after review
2.8 of an energy audit or renewable energy system feasibility study, can be benefited by
2.9 installation of energy improvements.

2.10 (f) "Renewable energy" means energy produced by means of solar thermal, solar
2.11 photovoltaic, wind, geothermal, or biomass resources.

2.12 (g) "Renewable energy system feasibility study" means a written study, conducted
2.13 by a contractor to perform such analysis, for the purpose of determining the feasibility of
2.14 installing a renewable energy system in a building, including an estimate of the length of
2.15 time a specific renewable energy system will take to repay its purchase and installation
2.16 costs, based on the amount of energy saved and estimated future energy prices. For a
2.17 geothermal energy improvement, the feasibility study must calculate net savings in terms
2.18 of nongeothermal energy and costs.

2.19 (h) "Solar thermal" has the meaning given to "qualifying solar thermal project" in
2.20 section 216B.2411, subdivision 2, paragraph (e).

2.21 (i) "Solar photovoltaic" has the meaning given in section 216C.06, subdivision 16,
2.22 and must meet the requirements of section 216C.25.

2.23 Subd. 2. **Program authority.** A city may establish by ordinance a program to make
2.24 loans to owners of qualifying real property to pay for cost-effective energy improvements
2.25 to the qualifying real property with the net proceeds and interest earnings of revenue
2.26 bonds authorized in this section.

2.27 Subd. 3. **Program requirements.** A city that establishes a loan program under this
2.28 section must:

2.29 (1) impose requirements to ensure that the loan is consistent with the purpose of the
2.30 program;

2.31 (2) impose requirements and conditions on loans to ensure their timely repayment;

2.32 (3) require an energy audit or renewable energy system feasibility study to be
2.33 conducted on the qualifying real property and reviewed by the city prior to approval of
2.34 the loan;

2.35 (4) verify the installation and performance of energy improvements financed by the
2.36 loan program; and

3.1 (5) determine criteria for the making of loans under this section, subject to the
3.2 following:

3.3 (i) the term over which a loan is repaid may not exceed the weighted average of the
3.4 useful life of the energy improvements installed, as determined by the city; and

3.5 (ii) the principal amount of a loan may not exceed the lesser of ten percent of the
3.6 appraised value of the real property on which the improvements are to be installed or
3.7 the actual cost of installing the energy improvements, including the costs of necessary
3.8 equipment, materials, and labor, the costs of each related energy audit or renewable energy
3.9 system feasibility study, and the cost of verification of installation; and

3.10 (iii) the interest rate charged to the borrower must be sufficient to pay the financing
3.11 costs of the program, including the issuance of bonds and loan delinquencies.

3.12 Subd. 4. **Loan repayment.** In addition to any other method established in the
3.13 program ordinance for loan repayment, a city making a loan under this section may:

3.14 (1) secure the loan with a lien against the benefited qualifying real property; and

3.15 (2) collect loan repayments as a special assessment as provided for in section
3.16 429.101 or by charter.

3.17 Subd. 5. **Bond issuance; repayment.** (a) A city may issue revenue bonds as
3.18 provided in chapter 475 for the purposes of this section.

3.19 (b) The bonds must be payable as to both principal and interest solely from the
3.20 revenues from the assessments established in subdivision 4.

3.21 (c) No holder of bonds issued under this subdivision may compel any exercise
3.22 of the taxing power of the city that issued the bonds to pay principal or interest on the
3.23 bonds. Bonds issued under this subdivision are not a debt or obligation of the city that
3.24 issued them, nor is the payment of the bonds enforceable out of any money other than the
3.25 revenue pledged to the payment of the bonds.

3.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.27 Sec. 2. Minnesota Statutes 2008, section 429.101, subdivision 1, is amended to read:

3.28 Subdivision 1. **Ordinances.** (a) In addition to any other method authorized by
3.29 law or charter, the governing body of any municipality may provide for the collection
3.30 of unpaid special charges as a special assessment against the property benefited for all
3.31 or any part of the cost of:

3.32 (1) snow, ice, or rubbish removal from sidewalks;

3.33 (2) weed elimination from streets or private property;

3.34 (3) removal or elimination of public health or safety hazards from private property,
3.35 excluding any structure included under the provisions of sections 463.15 to 463.26;

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4.1 (4) installation or repair of water service lines, street sprinkling or other dust
4.2 treatment of streets;

4.3 (5) the trimming and care of trees and the removal of unsound trees from any street;

4.4 (6) the treatment and removal of insect infested or diseased trees on private property,
4.5 the repair of sidewalks and alleys;

4.6 (7) the operation of a street lighting system;

4.7 (8) the operation and maintenance of a fire protection or a pedestrian skyway system;

4.8 (9) inspections relating to a municipal housing maintenance code violation;

4.9 (10) the recovery of any disbursements under section 504B.445, subdivision 4,
4.10 clause (5), including disbursements for payment of utility bills and other services, even if
4.11 provided by a third party, necessary to remedy violations as described in section 504B.445,
4.12 subdivision 4, clause (2); ~~or~~

4.13 (11) [Repealed, 2004 c 275 s 5]

4.14 (12) the recovery of delinquent vacant building registration fees under a municipal
4.15 program designed to identify and register vacant buildings; or

4.16 (13) energy improvements to residential or business property, as authorized under
4.17 section 216C.435.

4.18 (b) The council may by ordinance adopt regulations consistent with this section to
4.19 make this authority effective, including, at the option of the council, provisions for placing
4.20 primary responsibility upon the property owner or occupant to do the work personally
4.21 (except in the case of street sprinkling or other dust treatment, alley repair, tree trimming,
4.22 care, and removal, or the operation of a street lighting system) upon notice before the work
4.23 is undertaken, and for collection from the property owner or other person served of the
4.24 charges when due before unpaid charges are made a special assessment.

4.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.