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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3018

03/20/2023

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The bill was read for the first time and referred to the Committee on Climate and Energy Finance and Policy

1.1 A bill for an act
1.2 relating to energy; modifying the property assessed clean energy program; adding
1.3 definitions; amending Minnesota Statutes 2022, sections 216C.435, subdivision
1.4 8; 216C.436, subdivision 2, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2022, section 216C.435, subdivision 8, is amended to read:

1.7 Subd. 8. **Qualifying commercial real property.** "Qualifying commercial real property"
1.8 means a multifamily residential dwelling, ~~or~~ a commercial or industrial building, or farmland,
1.9 as defined in section 216C.436, subdivision 1b, that the implementing entity has determined,
1.10 after review of an energy audit ~~or~~, renewable energy system feasibility study, or agronomic
1.11 assessment, as defined in section 216C.436, subdivision 1b, can ~~be benefited by~~ benefit
1.12 from the installation of cost-effective energy improvements or land and water improvements,
1.13 as defined in section 216C.436, subdivision 1b. Qualifying commercial real property includes
1.14 new construction.

1.15 Sec. 2. Minnesota Statutes 2022, section 216C.436, is amended by adding a subdivision
1.16 to read:

1.17 Subd. 1b. **Definitions.** (a) For the purposes of this section, the following terms have the
1.18 meanings given.

1.19 (b) "Agronomic assessment" means a study by an independent third party that assesses
1.20 the environmental impacts of proposed land and water improvements on farmland.

1.21 (c) "Farmland" means land classified as 2a, 2b, or 2c for property tax purposes under
1.22 section 273.13, subdivision 23.

2.1 (d) "Land and water improvement" means:

2.2 (1) an improvement to farmland that:

2.3 (i) is permanent;

2.4 (ii) results in improved agricultural profitability or resiliency;

2.5 (iii) reduces the environmental impact of agricultural production; and

2.6 (iv) if the improvement affects drainage, complies with the most recent versions of the
 2.7 applicable following conservation practice standards issued by the United States Department
 2.8 of Agriculture's Natural Resources Conservation Service: Drainage Water Management
 2.9 (Code 554), Saturated Buffer (Code 604), Denitrifying Bioreactor (Code 605), and
 2.10 Constructed Wetland (Code 656); or

2.11 (2) water conservation and quality measures, which include permanently affixed
 2.12 equipment, appliances, or improvements that reduce a property's water consumption or that
 2.13 enable water to be managed more efficiently.

2.14 (e) "Resiliency" means the ability of farmland to maintain and enhance profitability,
 2.15 soil health, and water quality.

2.16 Sec. 3. Minnesota Statutes 2022, section 216C.436, subdivision 2, is amended to read:

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

2.18 (1) impose requirements and conditions on financing arrangements to ensure timely
 2.19 repayment;

2.20 (2) require an energy audit ~~or~~, renewable energy system feasibility study, or agronomic
 2.21 or soil health assessment to be conducted on the qualifying commercial real property and
 2.22 reviewed by the implementing entity prior to approval of the financing;

2.23 (3) require the inspection of all installations and a performance verification of at least
 2.24 ten percent of the cost-effective energy improvements or land and water improvements
 2.25 financed by the program;

2.26 (4) not prohibit the financing of all cost-effective energy improvements or land and
 2.27 water improvements not otherwise prohibited by this section;

2.28 (5) require that all cost-effective energy improvements or land and water improvements
 2.29 be made to a qualifying commercial real property prior to, or in conjunction with, an
 2.30 applicant's repayment of financing for cost-effective energy improvements or land and water
 2.31 improvements for that property;

3.1 (6) have cost-effective energy improvements or land and water improvements financed
3.2 by the program performed by a licensed contractor as required by chapter 326B or other
3.3 law or ordinance;

3.4 (7) require disclosures in the loan document to borrowers by the implementing entity
3.5 of: (i) the risks involved in borrowing, including the risk of foreclosure if a tax delinquency
3.6 results from a default; and (ii) all the terms and conditions of the commercial PACE loan
3.7 and the installation of cost-effective energy improvements or land and water improvements,
3.8 including the interest rate being charged on the loan;

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

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

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

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

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

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