

SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION

S.F. No. 3245

(SENATE AUTHORS: PRATT, Marty, Dahms, Goggin and Sparks)

DATE	D-PG	OFFICIAL STATUS
03/12/2018	6426	Introduction and first reading
		Referred to Energy and Utilities Finance and Policy
03/19/2018	6538a	Comm report: To pass as amended and re-refer to Commerce and Consumer Protection Finance and Policy
03/21/2018	6819	Comm report: To pass and re-referred to Judiciary and Public Safety Finance and Policy
03/22/2018	6904a	Comm report: To pass as amended and re-refer to Taxes
04/16/2018		Comm report: To pass as amended and re-refer to Finance

1.1

A bill for an act

1.2

relating to energy; modifying the energy improvements program; providing

1.3

consumer protections for residential property assessed clean energy (PACE) loans;

1.4

providing remedies; amending Minnesota Statutes 2016, sections 45.011,

1.5

subdivision 1; 46.04, subdivision 1; 46.131, subdivisions 1, 2, 4; 216C.435,

1.6

subdivisions 1, 2, 3a, 6, 8, by adding subdivisions; 216C.436, subdivisions 1, 2,

1.7

5, 7, 8, 9, by adding a subdivision; 290B.03, subdivision 1; 429.011, subdivision

1.8

2a; 429.021, subdivision 1; 429.101, subdivision 1; Minnesota Statutes 2017

1.9

Supplement, section 46.131, subdivision 11; proposing coding for new law in

1.10

Minnesota Statutes, chapter 216C; repealing Minnesota Statutes 2016, section

1.11

216C.435, subdivision 5.

1.12

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

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Section 1. Minnesota Statutes 2016, section 45.011, subdivision 1, is amended to read:

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Subdivision 1. **Scope.** As used in chapters 45 to 80C, 80E to 83, 155A, 216C, 332, 332A,

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332B, 345, and 359, and sections 123A.21, subdivision 7, paragraph (a), clause (23);

1.16

123A.25; 325D.30 to 325D.42; 326B.802 to 326B.885; 386.62 to 386.78; 471.617; and

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471.982, unless the context indicates otherwise, the terms defined in this section have the

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meanings given them.

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Sec. 2. Minnesota Statutes 2016, section 46.04, subdivision 1, is amended to read:

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Subdivision 1. **General.** The commissioner of commerce, referred to as the commissioner

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in chapters 46 to 59A, 216C, 332A, and 332B ~~as the commissioner~~, is vested with all the

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powers, authority, and privileges which, prior to the enactment of Laws 1909, chapter 201,

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were conferred by law upon the public examiner, and shall take over all duties in relation

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to state banks, savings banks, trust companies, savings associations, and other financial

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institutions within the state which, prior to the enactment of chapter 201, were imposed

upon the public examiner. The commissioner of commerce shall exercise a constant supervision, either personally or through the examiners herein provided for, over the books and affairs of all state banks, savings banks, trust companies, savings associations, credit unions, industrial loan and thrift companies, and other financial institutions doing business within this state; and shall, through examiners, examine each financial institution at least once every 24 calendar months. In satisfying this examination requirement, the commissioner may accept reports of examination prepared by a federal agency having comparable supervisory powers and examination procedures. With the exception of industrial loan and thrift companies which do not have deposit liabilities and licensed regulated lenders, it shall be the principal purpose of these examinations to inspect and verify the assets and liabilities of each and so far investigate the character and value of the assets of each institution as to determine with reasonable certainty that the values are correctly carried on its books. Assets and liabilities shall be verified in accordance with methods of procedure which the commissioner may determine to be adequate to carry out the intentions of this section. It shall be the further purpose of these examinations to assess the adequacy of capital protection and the capacity of the institution to meet usual and reasonably anticipated deposit withdrawals and other cash commitments without resorting to excessive borrowing or sale of assets at a significant loss, and to investigate each institution's compliance with applicable laws and rules. Based on the examination findings, the commissioner shall make a determination as to whether the institution is being operated in a safe and sound manner. None of the above provisions limits the commissioner in making additional examinations as deemed necessary or advisable. The commissioner shall investigate the methods of operation and conduct of these institutions and their systems of accounting, to ascertain whether these methods and systems are in accordance with law and sound banking principles. The commissioner may make requirements as to records as deemed necessary to facilitate the carrying out of the commissioner's duties and to properly protect the public interest. The commissioner may examine, or cause to be examined by these examiners, on oath, any officer, director, trustee, owner, agent, clerk, customer, or depositor of any financial institution touching the affairs and business thereof, and may issue, or cause to be issued by the examiners, subpoenas, and administer, or cause to be administered by the examiners, oaths. In case of any refusal to obey any subpoena issued under the commissioner's direction, the refusal may at once be reported to the district court of the district in which the bank or other financial institution is located, and this court shall enforce obedience to these subpoenas in the manner provided by law for enforcing obedience to subpoenas of the court. In all matters relating to official duties, the commissioner of commerce has the power possessed by courts of law to issue subpoenas and cause them to be served and enforced, and all

officers, directors, trustees, and employees of state banks, savings banks, trust companies, savings associations, and other financial institutions within the state, and all persons having dealings with or knowledge of the affairs or methods of these institutions, shall afford reasonable facilities for these examinations, make returns and reports to the commissioner of commerce as the commissioner may require; attend and answer, under oath, the commissioner's lawful inquiries; produce and exhibit any books, accounts, documents, and property as the commissioner may desire to inspect, and in all things aid the commissioner in the performance of duties.

Sec. 3. Minnesota Statutes 2016, section 46.131, subdivision 1, is amended to read:

Subdivision 1. **Examination fee authority.** Examination fees of the Department of Commerce shall be assessed against financial institutions and residential PACE administrators, as defined in section 216C.435, subdivision 10a, in accordance with the provisions of this section.

Sec. 4. Minnesota Statutes 2016, section 46.131, subdivision 2, is amended to read:

Subd. 2. **Assessment authority.** Each bank, trust company, savings bank, savings association, regulated lender, industrial loan and thrift company, credit union, motor vehicle sales finance company, debt management services provider, debt settlement services provider, ~~and~~ insurance premium finance company, and residential PACE administrator, as defined in section 216C.435, subdivision 10a, organized under the laws of this state or required to be administered by the commissioner of commerce shall pay into the state treasury its proportionate share of the cost of maintaining the Department of Commerce.

Sec. 5. Minnesota Statutes 2016, section 46.131, subdivision 4, is amended to read:

Subd. 4. **General assessment basis.** (a) Assessments shall be made by the commissioner against each institution within the industry on an equitable basis, according to the total assets of each institution as of the end of the previous calendar year.

(b) Assessments against residential PACE administrators, as defined in section 216C.435, subdivision 10a, must be made by the commissioner according to the total business volume as of the end of the previous calendar year.

Sec. 6. Minnesota Statutes 2017 Supplement, section 46.131, subdivision 11, is amended to read:

Subd. 11. **Financial institutions account; appropriation.** (a) The financial institutions account is created as a separate account in the special revenue fund. The account consists of funds received from assessments under subdivision 7 ~~and~~<sub>2</sub> examination fees under subdivision 8, and license and renewal fees under section 216C.437, subdivision 12. Earnings, including interest, dividends, and any other earnings arising from account assets, must be credited to the account.

(b) Funds in the account are annually appropriated to the commissioner of commerce for activities under this section.

Sec. 7. Minnesota Statutes 2016, section 216C.435, subdivision 1, is amended to read:

Subdivision 1. **Scope.** For the purposes of ~~this section and section 216C.436~~ sections 216C.435 to 216C.437, the following terms defined in this section have the meanings given them.

Sec. 8. Minnesota Statutes 2016, section 216C.435, subdivision 2, is amended to read:

Subd. 2. **Authority.** "Authority" means a housing and redevelopment authority or economic development authority created pursuant to section 469.003, 469.004, or 469.091, a port authority pursuant to section 469.049, 469.1082, or special law, or another entity authorized by law to exercise the powers of an authority created pursuant to one of those sections. Authority does not include a residential PACE administrator.

Sec. 9. Minnesota Statutes 2016, section 216C.435, subdivision 3a, is amended to read:

Subd. 3a. **Cost-effective energy improvements.** "Cost-effective energy improvements" mean ~~energy improvements~~:

(1) any renovation or retrofitting of:

(i) qualifying commercial real property to improve energy efficiency that is permanently affixed to the property, results in a net reduction in energy consumption without altering the principal source of energy, and has been identified in an energy audit as repaying the purchase and installation costs in 20 years or less, based on the amount of future energy saved and estimated future energy prices; or

(ii) qualifying residential real property that is permanently affixed to the property and is eligible to receive an incentive through a program offered by the electric or natural gas

utility that provides service under section 216B.241 to the property or is otherwise determined to be a cost-effective energy improvement by the commissioner under section 216B.241, subdivision 1d, paragraph (a);

(2) permanent installation of new or upgraded electrical circuits and related equipment to enable electrical vehicle charging; or

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

Sec. 10. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 3b. **Commercial PACE loan contractor.** "Commercial PACE loan contractor" means a person or entity that installs cost-effective energy improvements financed under a commercial PACE loan program.

Sec. 11. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 3c. **Commercial PACE loan program.** "Commercial PACE loan program" means a financing program established under section 216C.436.

Sec. 12. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 3d. **Commissioner.** "Commissioner" means the commissioner of commerce.

Sec. 13. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 5a. **Homeowner.** "Homeowner" means an owner of qualifying residential real property. Homeowner includes all the persons on the deed having a legal interest in the property and all persons on the mortgage or note.

Sec. 14. Minnesota Statutes 2016, section 216C.435, subdivision 6, is amended to read:

**Subd. 6. Implementing entity.** "Implementing entity" means the local government or an authority designated by the local government by resolution to implement and administer

programs described in ~~section~~ sections 216C.436 and 216C.437. Implementing entity does not include a residential PACE administrator.

Sec. 15. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 7b. **PACE.** "PACE" means property assessed clean energy.

Sec. 16. Minnesota Statutes 2016, section 216C.435, subdivision 8, is amended to read:

Subd. 8. **Qualifying commercial real property.** "Qualifying commercial real property"  
means a ~~single-family or~~ multifamily residential dwelling, or a commercial or industrial building, that the implementing entity has determined, after review of an energy audit or renewable energy system feasibility study, can be benefited by installation of cost-effective energy improvements.

Sec. 17. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 8a. **Qualifying residential real property.** "Qualifying residential real property"  
means a single-family residential dwelling, or other residential dwelling of four or fewer units, that the implementing entity has determined can be benefited by installation of cost-effective energy improvements.

Sec. 18. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision to read:

Subd. 10a. **Residential PACE administrator.** "Residential PACE administrator" means an entity with which the implementing entity contracts to administer all or part of a residential PACE loan program. For purposes of this subdivision, "administer" includes, but is not limited to, the performance of any or all of the following acts, whether directly or through an agent:

(1) marketing, offering, selling, facilitating, or financing, in whole or in part, a residential PACE loan;

(2) facilitating, arranging, or contracting for the installation of the cost-effective energy improvements financed through a residential PACE loan; or

(3) offering any other service to an implementing entity in connection with the offering or provision of a residential PACE loan or operating a residential PACE program.

7.1 Sec. 19. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision  
7.2 to read:

7.3 Subd. 10b. **Residential PACE loan contract.** "Residential PACE loan contract" means  
7.4 the legal agreement for the financing and installation of cost-effective energy improvements  
7.5 under the residential PACE program.

7.6 Sec. 20. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision  
7.7 to read:

7.8 Subd. 10c. **Residential PACE contractor.** "Residential PACE contractor" means a  
7.9 person or entity that installs cost-effective energy improvements financed, in whole or in  
7.10 part, by a PACE loan.

7.11 Sec. 21. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision  
7.12 to read:

7.13 Subd. 10d. **Residential PACE lien.** "Residential PACE lien" means the encumbrance  
7.14 on the qualifying residential real property created by the special assessment as provided in  
7.15 section 216C.437, subdivision 28.

7.16 Sec. 22. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision  
7.17 to read:

7.18 Subd. 10e. **Residential PACE loan.** "Residential PACE loan" means the extension of  
7.19 financing that is offered to pay for the installation of cost-effective energy improvements  
7.20 on a homeowner's qualifying residential real property and is repayable by the homeowner  
7.21 through a special assessment as provided under section 216C.437, subdivision 28.

7.22 Sec. 23. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision  
7.23 to read:

7.24 Subd. 10f. **Residential PACE loan program.** "Residential PACE loan program" means  
7.25 the financing program established under section 216C.437.

7.26 Sec. 24. Minnesota Statutes 2016, section 216C.435, is amended by adding a subdivision  
7.27 to read:

7.28 Subd. 13. **Vulnerable adult.** "Vulnerable adult" means any person 18 years of age or  
7.29 older who:

(1) receives services from a home care provider required to be licensed under sections 144A.43 to 144A.482, or from a person or organization that offers, provides, or arranges for personal care assistance services under the medical assistance program as authorized under section 256B.0625, subdivision 19a, 256B.0651, 256B.0653, 256B.0654, 256B.0659, or 256B.85;

(2) possesses a physical or mental infirmity or other physical, mental, or emotional dysfunction that impairs the individual's ability to provide adequately for the individual's own care without assistance, including the provision of food, shelter, clothing, health care, or supervision;

(3) possesses a physical or mental infirmity or other physical, mental, or emotional dysfunction that impairs the individual's ability to knowingly contract or otherwise protect the individual's own self-interest; or

(4) identifies as having dementia or Alzheimer's disease, or who exhibits behaviors that a reasonable person would suspect indicates the adult has Alzheimer's disease or other dementia.

Sec. 25. Minnesota Statutes 2016, section 216C.436, subdivision 1, is amended to read:

Subdivision 1. **Program purpose and authority.** An implementing entity may establish a commercial PACE loan program to finance cost-effective energy improvements to enable owners of qualifying commercial real property to pay for the cost-effective energy improvements to the qualifying real property with the net proceeds and interest earnings of revenue bonds authorized in this section. An implementing entity may limit the number of qualifying commercial real properties for which a property owner may receive program financing.

Sec. 26. Minnesota Statutes 2016, section 216C.436, is amended by adding a subdivision to read:

Subd. 1a. **Scope.** Unless otherwise specified, this section applies only to programs established under subdivision 1 that are offered to an owner of qualifying commercial real property.

Sec. 27. Minnesota Statutes 2016, section 216C.436, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

(12) require that liability for special assessments related to the financing runs with the qualifying commercial real property.

Sec. 28. Minnesota Statutes 2016, section 216C.436, subdivision 5, is amended to read:

Subd. 5. **Coordination with other programs.** A ~~financing~~ commercial PACE loan program must include cooperation and coordination with the conservation improvement activities of the utility serving the qualifying commercial real property under section 216B.241 and other public and private energy improvement programs.

10.1 Sec. 29. Minnesota Statutes 2016, section 216C.436, subdivision 7, is amended to read:

10.2 Subd. 7. **Repayment.** An implementing entity that finances an energy improvement  
10.3 under this section must:

10.4 (1) secure payment with a lien against the qualifying commercial real property; and

10.5 (2) collect repayments as a special assessment as provided for in section 429.101 or by  
10.6 charter, provided that special assessments may be made payable in up to 20 equal annual  
10.7 installments.

10.8 If the implementing entity is an authority, the local government that authorized the  
10.9 authority to act as implementing entity shall impose and collect special assessments necessary  
10.10 to pay debt service on bonds issued by the implementing entity under subdivision 8, and  
10.11 shall transfer all collections of the assessments upon receipt to the authority.

10.12 Sec. 30. Minnesota Statutes 2016, section 216C.436, subdivision 8, is amended to read:

10.13 Subd. 8. **Bond issuance; repayment.** (a) An implementing entity may issue revenue  
10.14 bonds as provided in chapter 475 for the purposes of this section and section 216C.437,  
10.15 provided the revenue bond must not be payable more than 20 years from the date of issuance.

10.16 (b) The bonds must be payable as to both principal and interest solely from the revenues  
10.17 from the assessments established in subdivision 7 and section 216C.437, subdivision 28.

10.18 (c) No holder of bonds issued under this subdivision may compel any exercise of the  
10.19 taxing power of the implementing entity that issued the bonds to pay principal or interest  
10.20 on the bonds, and if the implementing entity is an authority, no holder of the bonds may  
10.21 compel any exercise of the taxing power of the local government. Bonds issued under this  
10.22 subdivision are not a debt or obligation of the issuer or any local government that issued  
10.23 them, nor is the payment of the bonds enforceable out of any money other than the revenue  
10.24 pledged to the payment of the bonds.

10.25 Sec. 31. Minnesota Statutes 2016, section 216C.436, subdivision 9, is amended to read:

10.26 Subd. 9. **Supplemental funding sources.** (a) An implementing entity is authorized to  
10.27 establish, acquire, and use additional or alternative funding sources for the purposes of this  
10.28 section and section 216C.437.

10.29 (b) For the purposes of this subdivision and section 216C.437, additional or alternative  
10.30 funding sources do not include issuance of general obligation bonds.

11.1 Sec. 32. **[216C.437] RESIDENTIAL PACE LOAN PROGRAM; AUTHORITY;**  
11.2 **CONSUMER PROTECTIONS.**

11.3 Subdivision 1. **Scope.** This section applies only to programs established under subdivision  
11.4 2 that are offered to a homeowner.

11.5 Subd. 2. **Program purpose and authority.** (a) An implementing entity may establish  
11.6 a residential PACE loan program to finance cost-effective energy improvements to enable  
11.7 homeowners to pay for the cost-effective energy improvements to qualifying residential  
11.8 real property with the net proceeds and interest earnings of revenue bonds authorized in  
11.9 section 216C.436, subdivision 8. The program must serve a public purpose and not primarily  
11.10 be for the benefit of private entities or private investors even though private benefit may  
11.11 result incidentally.

11.12 (b) An implementing entity may limit the number of qualifying residential real properties  
11.13 for which a homeowner may receive program financing.

11.14 (c) No implementing entity or residential PACE administrator may:

11.15 (1) provide, offer, or facilitate financing to a homeowner who is not current on mortgage  
11.16 or real property tax payments; or

11.17 (2) permit a homeowner to have more than one residential PACE loan outstanding at a  
11.18 time or a combination of a residential PACE loan and one or more other loan products  
11.19 offered by the administrator or any affiliate or related entity of the administrator.

11.20 (d) Upon completion of a project, an implementing entity shall provide a homeowner  
11.21 with a certificate stating participation in the program and identify what cost-effective energy  
11.22 improvements have been made with financing program proceeds.

11.23 Subd. 3. **Financing terms.** (a) An implementing entity shall ensure that financing  
11.24 provided under this section has:

11.25 (1) a cost-weighted average maturity not exceeding the useful life of the cost-effective  
11.26 energy improvements installed, as determined by the commissioner, but in no event may a  
11.27 term exceed 20 years; and

11.28 (2) a principal amount not to exceed:

11.29 (i) for a residential PACE loan for energy efficiency improvements only, the lesser of  
11.30 ten percent of the assessed value of the real property on which the improvements are to be  
11.31 installed or the actual cost of installing the cost-effective energy improvements; and

12.1 (ii) for a residential PACE loan for a renewable energy system or a combination of a  
12.2 renewable energy system and energy efficiency improvements, the lesser of 20 percent of  
12.3 the assessed value of the real property on which the improvements are to be installed or the  
12.4 actual cost of installing the cost-effective energy improvements.

12.5 For the purposes of this clause, the "actual cost of installing cost-effective energy  
12.6 improvements" includes the costs of necessary equipment, materials and labor, and the cost  
12.7 of verification of installation.

12.8 (b) The combined debt of existing mortgages, the residential PACE lien, and all other  
12.9 liens on the qualified residential real property may not exceed 90 percent of the assessed  
12.10 value of the real property.

12.11 Subd. 4. **PACE lien position.** (a) Notwithstanding any statute or ordinance to the  
12.12 contrary, a residential PACE lien shall be:

12.13 (1) subordinate to all liens on the qualifying residential real property recorded prior to  
12.14 the time the PACE lien is recorded;

12.15 (2) subordinate to a first mortgage on the qualifying property recorded after the PACE  
12.16 lien is recorded; and

12.17 (3) superior to any other lien on the qualifying residential real property recorded after  
12.18 the PACE lien is recorded.

12.19 (b) Notwithstanding any other law to the contrary, in the event of a foreclosure sale or  
12.20 a sale pursuant to the exercise of a power of sale under a mortgage relating to a qualifying  
12.21 residential real property, the holders of any mortgages or other liens, including delinquent  
12.22 annual assessments secured by PACE liens, shall receive proceeds in accordance with the  
12.23 priorities established under paragraph (a).

12.24 Subd. 5. **Lienholder notice.** (a) An implementing entity or a residential PACE  
12.25 administrator may not enter into a residential PACE loan contract with a homeowner unless  
12.26 the implementing entity or the residential PACE administrator has provided written notice  
12.27 to each of the servicers of any mortgage or other lien on the qualifying residential real  
12.28 property that the homeowner intends to enter into a residential PACE loan contract.

12.29 (b) No residential PACE loan may be made unless the implementing entity or the  
12.30 residential PACE administrator obtains written, signed confirmation from the servicer of  
12.31 any mortgage or other lien on the qualifying residential real property that entering into the  
12.32 residential PACE loan contract does not constitute an event of default or give rise to any  
12.33 remedies under the terms of the mortgage loan or other contractual agreement.

13.1 Subd. 6. **Licensing.** No residential PACE administrator may operate in this state without  
13.2 first obtaining a license from the commissioner. An administrator applying for a license  
13.3 must provide the following information in a form prescribed by the commissioner:

13.4 (1) the full name of each natural person who is a principal of the administrator;

13.5 (2) the mailing address, which must not be a post office box, the telephone number, and,  
13.6 if applicable, the e-mail address of the primary office of the administrator and any branch  
13.7 offices in this state;

13.8 (3) consent to the jurisdiction of the courts of this state;

13.9 (4) the name and address of the registered agent in this state authorized to accept service  
13.10 of process on behalf of the administrator;

13.11 (5) disclosure of:

13.12 (i) whether any controlling or affiliated party has ever been convicted of a crime or found  
13.13 civily liable for an offense involving moral turpitude, including forgery, embezzlement,  
13.14 obtaining money under false pretenses, larceny, extortion, conspiracy to defraud, or any  
13.15 other similar offense or violation, or any violation of a federal or state law or regulation  
13.16 relating to any consumer fraud, false advertising, deceptive trade practices, or similar  
13.17 consumer protection law;

13.18 (ii) any judgments, private or public litigation, tax liens, written complaints, administrative  
13.19 actions, or investigations by any government agency against the administrator, or against  
13.20 any officer, director, manager, or shareholder of owning more than five percent interest in  
13.21 the administrator, unresolved or otherwise, filed or otherwise commenced within the  
13.22 preceding ten years;

13.23 (iii) whether the administrator, or any person employed by the administrator, has had a  
13.24 record of having defaulted in the payment of money collected for others, including the  
13.25 discharge of debts through bankruptcy proceedings; and

13.26 (iv) whether authority granted to the administrator to operate in any other state has ever  
13.27 been denied, revoked, or suspended; and

13.28 (6) any other information and material as the commissioner may require.

13.29 Subd. 7. **Term of license.** Licenses for residential PACE administrators issued under  
13.30 this chapter expire on December 31 and are renewable on January 1 of each year after that  
13.31 date.

14.1 Subd. 8. **Timely renewal.** (a) A person whose application is properly and timely filed  
14.2 and who has not received notice of denial of renewal is considered approved for renewal,  
14.3 and the person may continue to transact business as a residential PACE administrator whether  
14.4 or not the renewed license has been received on or before January 1 of the renewal year.

14.5 An application for renewal of a license is considered timely filed if received by the  
14.6 commissioner by December 15 of the renewal year. An application for renewal is considered  
14.7 properly filed if made upon forms duly executed and sworn to, accompanied by fees  
14.8 prescribed by this chapter, and containing any information that the commissioner requires.

14.9 (b) A person who fails to make a timely application for renewal of a license and who  
14.10 has not received the renewal license as of January 1 of the renewal year is unlicensed until  
14.11 the renewal license has been issued by the commissioner and is received by the person.

14.12 Subd. 9. **Contents of renewal application.** Application for the renewal of an existing  
14.13 license must contain the request for renewal and any changes to the information specified  
14.14 in subdivision 6.

14.15 Subd. 10. **Cancellation.** A licensee ceasing an activity or activities regulated by this  
14.16 chapter and desiring to no longer be licensed shall simultaneously inform the commissioner  
14.17 in writing and surrender the license and all other symbols or indicia of licensure. The licensee  
14.18 shall include a plan for the withdrawal from regulated business, including a timetable for  
14.19 the disposition of the business.

14.20 Subd. 11. **Powers of the commissioner.** (a) The commissioner has under this section  
14.21 the same powers the commissioner has under section 45.027, including the authority to  
14.22 impose a civil penalty not to exceed \$10,000 per violation.

14.23 (b) The commissioner may condition or refuse to renew a license for any of the reasons  
14.24 the commissioner may deny, suspend, or revoke a license.

14.25 (c) The commissioner may order restitution against persons subject to this section for  
14.26 violations of this section.

14.27 (d) The commissioner may issue orders or directives under this section as follows:

14.28 (1) order or direct persons subject to this chapter to cease and desist from conducting  
14.29 business, including immediate temporary orders to cease and desist;

14.30 (2) order or direct persons subject to this chapter to cease any harmful activities or  
14.31 violations of this chapter, including immediate temporary orders to cease and desist;

(3) enter immediate temporary orders to cease business under a license if the commissioner determines that the license was erroneously granted or the licensee is currently in violation of this chapter; and

(4) order or direct other affirmative action the commissioner considers necessary.

(e) Each violation or failure to comply with any directive or order of the commissioner is a separate and distinct violation or failure.

Subd. 12. **Fees.** The following fees must be paid to the commissioner:

(1) for an initial license, \$1,000, \$50 of which is credited to the consumer education account in the special revenue fund; and

(2) for a renewal license, \$500, \$50 of which is credited to the consumer education account in the special revenue fund.

Subd. 13. **Financial examinations.** The commissioner shall have the power vested under section 46.04 to conduct financial examinations of licensees. Each residential PACE administrator must keep, and use in licensee's business, any books, accounts, and records, including electronic records, as will enable the commissioner to determine whether the licensee is complying with this section and any rules, orders, and directives adopted by the commissioner under this section. Every licensee must preserve the books, accounts, and records for at least six years after making the final entry on any transaction recorded. Examinations of the books, records, and method of operations conducted under the supervision of the commissioner shall be done at the cost of the licensee. The cost must be assessed as determined under section 46.131.

Subd. 14. **Bond.** (a) An applicant for a residential PACE administrator license must file with the department a surety bond in the amount of \$100,000, issued by an insurance company authorized to do so in this state. The bond must cover all persons who are employees or agents of the applicant. The bond must be available for the recovery of expenses, fines, and fees levied by the commissioner under this chapter and for losses incurred by homeowners as a result of a licensee's noncompliance with the requirements of this section, sections 325D.43 to 325D.48, 325F.67 to 325F.69, or breach of contract relating to activities regulated by this chapter.

(b) The bond must be submitted with the administrator's license application and evidence of continued coverage must be submitted with each renewal. Any change in the bond must be submitted for approval by the commissioner within ten days of its execution. The bond or a substitute bond shall remain in effect during all periods of licensing.

(c) A licensee shall maintain or increase its surety bond to reflect the total dollar amount of the residential PACE loans made in this state in the preceding year according to the table in this paragraph. A licensee may decrease its surety bond according to the table in this paragraph if the surety bond required is less than the amount of the surety bond on file with the department.

<u>Dollar Amount of Residential PACE Loans</u>	<u>Surety Bond Required</u>
<u>\$0 to \$5,000,000</u>	<u>\$100,000</u>
<u>\$5,000,000.01 to \$10,000,000</u>	<u>\$125,000</u>
<u>\$10,000,000.01 to \$25,000,000</u>	<u>\$150,000</u>
<u>Over \$25,000,000</u>	<u>\$200,000</u>

Subd. 15. **Annual reporting.** Residential PACE administrators shall file reports by March 31 of each year on forms supplied by the commissioner and containing information required by the commissioner.

Subd. 16. **Residential PACE loan contracts.** (a) A residential PACE loan contract must:

(1) be in writing and must be signed by:

(i) the homeowner;

(ii) all other persons on the deed, mortgage, or note having a legal interest in the property;

(iii) the residential PACE contractor; and

(iv) the residential PACE administrator;

(2) contain all the terms and conditions of a residential PACE loan and the installation of cost-effective energy improvements;

(3) be written in English and the primary language of the homeowner:

(i) at the homeowner's request;

(ii) if the residential PACE loan is advertised in that language; or

(iii) if the residential PACE loan contract was described, discussed, or negotiated in that language, regardless of whether the residential PACE loan is advertised in that language;

(4) conspicuously display both the verbatim statement that "[insert name of the residential PACE administrator] is licensed with the Minnesota Department of Commerce" and the license number of the administrator;

17.1 (5) conspicuously display both the verbatim statement that "[insert name of the residential  
17.2 PACE contractor] is licensed by [insert name of agency]" and the license number of the  
17.3 contractor;

17.4 (6) offer a fixed, simple interest rate;

17.5 (7) charge an interest rate that does not exceed the interest rate limit set forth under  
17.6 section 334.01, subdivision 1, unless the residential PACE administrator is otherwise  
17.7 authorized to make loans under section 47.20;

17.8 (8) fully amortize the debt obligation;

17.9 (9) at any time, permit prepayment of some or all of the residential PACE loan balance;  
17.10 and

17.11 (10) include the right to rescind, as provided under subdivision 19.

17.12 (b) If a homeowner is requested to provide an electronic signature on the residential  
17.13 PACE loan contract:

17.14 (1) the residential PACE contractor and residential PACE administrator must comply  
17.15 with United States Code, title 15, chapter 96; and

17.16 (2) the residential PACE contractor or residential PACE administrator shall deliver a  
17.17 paper copy of the residential PACE loan contract to the homeowner no later than five  
17.18 business days following receipt from the homeowner of the electronically signed contract.

17.19 (c) A residential PACE loan may not:

17.20 (1) result at any time in negative amortization;

17.21 (2) charge any interest upon interest or upon fees;

17.22 (3) notwithstanding section 429.061, subdivision 1, contain any provision under which  
17.23 the homeowner is prohibited or restricted from making a prepayment or requiring a penalty,  
17.24 fee, premium, or other charge for prepayment of some or all of the residential PACE loan;

17.25 (4) contain any provision requiring forced arbitration or restricting class actions; or

17.26 (5) be entered into with a contract for deed vendee or vendor for the otherwise qualifying  
17.27 residential real property that is subject to the contract for deed.

17.28 (d) It shall be unlawful for a residential PACE administrator or a residential PACE  
17.29 contractor to enter into a residential PACE loan contract financed through a residential  
17.30 PACE loan with a homeowner who the administrator or contractor knew or should have  
17.31 known:

18.1 (1) is a vulnerable adult;

18.2 (2) is a homeowner who is not sufficiently competent to understand the terms of the  
18.3 loan; or

18.4 (3) does not have the ability to repay the loan, as provided under subdivision 17.

18.5 Subd. 17. **Underwriting.** (a) No residential PACE loan may be executed by a residential  
18.6 PACE administrator or a residential PACE contractor unless the administrator has first  
18.7 verified the ability of the homeowner to repay the residential PACE loan by:

18.8 (1) determining that the ratio of the homeowner's total monthly debt to total monthly  
18.9 income at the time the loan is executed does not exceed 43 percent;

18.10 (2) determining that the homeowner has sufficient residual income to meet basic living  
18.11 expenses;

18.12 (3) considering whether reductions in income or increases in debt that could adversely  
18.13 impact the ability of the homeowner to repay the residential PACE loan are reasonably  
18.14 anticipated to occur following the execution of the residential PACE loan; and

18.15 (4) considering any other factors, including credit reports and credit scores, that indicate  
18.16 that the homeowner may not have the ability to repay the residential PACE loan.

18.17 (b) For the purposes of this subdivision:

18.18 (1) "total monthly income" means the sum of the homeowner's current or reasonably  
18.19 expected income. Income may not be derived from temporary sources of income, illiquid  
18.20 assets, or proceeds derived from the equity the homeowner has in the qualifying residential  
18.21 real property;

18.22 (2) "total monthly debt" means the sum of the homeowner's monthly debt obligations  
18.23 including but not limited to mortgage-related obligations that include all mortgage principal  
18.24 and interest payments; other secured debt; mortgage guaranty insurance; any other insurance;  
18.25 property taxes; preexisting fees and assessments on the property, including the PACE  
18.26 assessment; unsecured debt; alimony; and child support;

18.27 (3) "residual income" means the homeowner's remaining income after subtracting the  
18.28 homeowner's total monthly debt obligations from the homeowner's total monthly income;

18.29 (4) "basic living expenses" include but are not limited to food and other household  
18.30 necessities; medical expenses, including premiums, co-pays, and the cost of prescriptions  
18.31 and over-the-counter remedies; transportation costs such as fuel, auto insurance, and  
18.32 maintenance; public transit costs; and utility expenses; and

(5) "current or reasonably expected income" includes income from assets and excludes the value of the qualifying residential real property, including any attached real property, that secures the residential PACE loan.

(c) The residential PACE administrator must use only reliable documents and records to verify the homeowner's ability to repay the residential PACE loan. Reliable documents and records include Internal Revenue Service Form W-2 (Wage and Tax Statement) or other similar Internal Revenue Service forms that are used for reporting wages or tax withholding, tax returns, payroll receipts and statements, and financial institution records and statements. A statement by the homeowner to the residential PACE administrator of the homeowner's income is not sufficient to establish the existence of the income or resources when verifying the homeowner's ability to repay the residential PACE loan.

Subd. 18. **Oral confirmation.** (a) Prior to the execution by the homeowner of a residential PACE contract and prior to the commencement of any installation of any energy improvement, the residential PACE administrator must orally, in a live, recorded telephone conversation with the homeowner:

(1) confirm the key terms of the agreement and the scope of energy improvement work, including, at a minimum, the measures to be installed that are financed by a residential PACE loan, the total estimated annual payment, the date the first tax payment will be due, the interest rate expressed as an annual percentage rate, the term of the loan, and that repayments will be made through the homeowner's property taxes;

(2) verify that the homeowner understands:

(i) the key terms of the agreement;

(ii) that if taxes are escrowed, by how much the escrowed amounts will increase or, if taxes are not escrowed, that the homeowner should consider saving enough money during the year to cover the additional residential PACE assessment;

(iii) that the residential PACE loan becomes a PACE lien on the homeowner's property and will likely need to be paid off when the house is sold;

(iv) the monetary penalty that accompanies a homeowner delinquency or default on property tax payments; and

(v) that the homeowner has the right to rescind a residential PACE loan contract, as provided in subdivision 19; and

(3) communicate that:

(i) energy savings are not guaranteed and the risk that energy savings from the cost-effective energy improvements may not equal or exceed the residential PACE loan payments that will be added to the homeowner's property taxes;

(ii) refinancing a home encumbered by a residential PACE lien will likely be more difficult or impossible;

(iii) selling a home encumbered by a residential PACE lien will likely be more difficult; and

(iv) the homeowner risks tax forfeiture or foreclosure upon default.

(b) At the commencement of the oral confirmation, the administrator must ask if the homeowner would prefer to communicate during the oral confirmation primarily in a language other than English. If the preferred language is supported by the residential PACE administrator, the oral confirmation shall be given in the preferred language, except where the homeowner on the call chooses to communicate through an interpreter chosen by the homeowner. If the preferred language is not supported and an interpreter is not chosen by the homeowner on the call, the administrator shall terminate the call and no residential PACE loan contract may be executed.

(c) Notwithstanding paragraph (b), the oral confirmation must be conducted in the primary language of the homeowner if the PACE contract was explained, discussed, or negotiated in that language.

(d) A voice mail message does not meet the requirements of this subdivision.

(e) For purposes of this subdivision, "an interpreter chosen by the homeowner" means a person 18 years of age or older who is able to speak fluently and read with full understanding both the English language and the preferred language of the homeowner, and:

(1) who is not employed by the residential PACE administrator or the residential PACE contractor or an affiliate or related entity of the administrator or contractor; or

(2) whose services are not made available through the administrator or the contractor.

Subd. 19. **Right to rescind a residential PACE loan contract.** (a) A homeowner shall have the right to rescind, without penalty or obligation, a residential PACE loan contract until midnight on the third calendar day following execution of the contract by the homeowner. For the purposes of this subdivision, the rescission period begins at 12:01 a.m. of the day following the day the contract was executed by the homeowner.

- 21.1 (b) The homeowner shall notify the offering party of the rescission by:
- 21.2 (1) mail or other written communications delivered to the offeror's physical address; or
- 21.3 (2) by electronic means if the residential PACE administrator or residential PACE
- 21.4 contractor has previously communicated with the homeowner via electronic means. Service
- 21.5 by mail is effective upon deposit in the United States mail.
- 21.6 (c) Any payments made by the homeowner in connection with the residential PACE
- 21.7 loan or a home improvement contract for cost-effective energy improvements financed with
- 21.8 a residential PACE loan must be returned to the homeowner within 20 business days after
- 21.9 receipt by the administrator or the contractor by any means of notification of rescission.
- 21.10 (d) When more than one homeowner in a transaction has the right to rescind, the exercise
- 21.11 of the right by one consumer shall be effective as to all homeowners.

- 21.12 Subd. 20. **Rescission notice and form.** (a) A residential PACE administrator and a
- 21.13 residential PACE contractor shall furnish the buyer with the following rescission notice and
- 21.14 form, which must be in a writing separate from the residential PACE loan contract and shall
- 21.15 not be considered substantive law under this section:

21.16 **RESCISSION RIGHT AND FORM**

21.17 Your right to cancel

- 21.18 You have the right to rescind (cancel) this contract without penalty until midnight on
- 21.19 [insert day and date].

- 21.20 To rescind (cancel): Mail or otherwise deliver a signed and dated copy of this form to
- 21.21 [insert name of the residential PACE administrator] at [insert physical or, if the residential
- 21.22 PACE administrator accepts electronic rescission, the e-mail address of the residential PACE
- 21.23 administrator].

- 21.24 You do not have to use this form, but must notify [insert the name of the residential
- 21.25 PACE administrator] in writing at the address listed in the previous sentence of your intention
- 21.26 to rescind (cancel).

- 21.27 If you rescind (cancel), any payments made by you under this contract will be returned
- 21.28 within 20 business days after the residential PACE administrator receives this form.

21.29 **Notice of Rescission Form**

- 21.30 I HEREBY RESCIND (CANCEL) THIS CONTRACT.

21.31 .....

- 21.32 (Print your name)

22.1 .....

22.2 (Sign your name)

22.3 .....

22.4 (Date)

22.5 (b) The document containing the rescission right and form must be provided to the  
22.6 homeowner at the time the homeowner executes the residential PACE loan contract.

22.7 (c) When a homeowner rescinds a residential PACE loan, the homeowner shall not be  
22.8 liable for any amount, including any finance charge, fees, or other charges.

22.9 Subd. 21. **Installation of energy improvements.** (a) Without exception and  
22.10 notwithstanding section 326B.805, subdivision 6, cost-effective energy improvements  
22.11 financed through a residential PACE loan must be installed by a residential PACE contractor  
22.12 who is licensed by the commissioner of labor and industry as a residential building contractor  
22.13 or residential remodeler.

22.14 (b) A residential PACE contractor may not commence work to install cost-effective  
22.15 energy improvements financed with a residential PACE loan prior to the expiration of the  
22.16 rescission period provided under subdivision 19. A residential PACE contractor who violates  
22.17 this paragraph:

22.18 (1) is not entitled to compensation for that work;

22.19 (2) must restore the property to its original condition at no cost to the homeowner; and

22.20 (3) immediately and without condition return all money, property, and other consideration  
22.21 given by the homeowner.

22.22 (c) A residential PACE contractor may not charge a homeowner a different price for the  
22.23 cost-effective energy improvements and their installation that the contractor would charge  
22.24 for the same or similar installations that are not financed through a residential PACE loan.

22.25 (d) An implementing entity must inspect all installations and conduct a performance  
22.26 verification of at least ten percent of the cost-effective energy improvements financed by  
22.27 the program.

22.28 (e) A residential PACE loan program shall require that all cost-effective energy  
22.29 improvements be made to a qualifying real property prior to, or in conjunction with, an  
22.30 applicant's repayment of financing for cost-effective energy improvements for that property.

22.31 Subd. 22. **Coordination with other programs.** A residential PACE loan program must  
22.32 include cooperation and coordination with the conservation improvement activities of the  
22.33 utility serving the qualifying residential real property under section 216B.241 and other

23.1 public and private energy improvement programs identified by the commissioner or the  
23.2 commissioner's designee.

23.3 Subd. 23. **Retail and end use prohibited.** (a) Energy generated by an energy  
23.4 improvement may not be sold, transmitted, or distributed at retail and may not provide for  
23.5 end use of the electrical energy from an off-site facility. On-site generation is allowed to  
23.6 the extent provided for in section 216B.1611.

23.7 (b) This section does not modify the exclusive service territories or exclusive right to  
23.8 serve as provided in sections 216B.37 to 216B.43.

23.9 Subd. 24. **Prohibited practices.** (a) No residential PACE administrator or residential  
23.10 PACE contractor may:

23.11 (1) in any form of communication, make any statement or implication that is false, unfair,  
23.12 unlawful, deceptive, abusive, or misleading, or make any material omission, regardless of  
23.13 reliance on the statement or omission by the homeowner, in connection with a residential  
23.14 PACE loan or the marketing or offering of cost-effective energy improvements financed  
23.15 through a residential PACE loan;

23.16 (2) indicate or imply that the cost-effective energy improvements will pay for themselves  
23.17 or offset or exceed the amount of the residential PACE loan, unless the residential PACE  
23.18 administrator or residential PACE contractor guarantees in writing that the improvements  
23.19 will pay for themselves or offset or exceed the amount of the residential PACE loan, and a  
23.20 provision for sufficient consideration to the homeowner is included in the residential PACE  
23.21 loan contract in the event that the guarantee does not materialize;

23.22 (3) indicate or imply that the residential PACE loan is free, a form of public assistance,  
23.23 or a government program;

23.24 (4) indicate or imply that the residential PACE loan will be repaid, in whole or in part,  
23.25 by a subsequent homeowner;

23.26 (5) engage in any false, deceptive, or misleading advertising, act, or practice;

23.27 (6) use an implementing entity's logo, city seal, or other graphic in marketing materials  
23.28 or representations;

23.29 (7) steer or otherwise direct a homeowner to a residential PACE loan;

23.30 (8) offer or provide any tax advice or information, unless the offeror or provider is a tax  
23.31 expert, provided that a residential PACE administrator or residential PACE contractor may:

24.1 (i) indicate to a homeowner that tax benefits may be available to certain homeowners  
24.2 who obtain residential PACE loans; and

24.3 (ii) direct the homeowner to seek the advice of an expert regarding tax matters related  
24.4 to the residential PACE loan;

24.5 (9) offer or provide direct or indirect monetary payments or any other form of  
24.6 compensation, incentive, kickback, inducement, or any other thing of value to a homeowner  
24.7 to enter into a residential PACE loan;

24.8 (10) engage in practices prohibited under section 47.605;

24.9 (11) engage in practices prohibited under section 332.37;

24.10 (12) engage in practices prohibited under section 326B.84;

24.11 (13) enter into any residential PACE loan unless both the Federal Housing Finance  
24.12 Agency and the Federal Housing Administration will purchase, refinance, or insure mortgages  
24.13 encumbered by PACE liens;

24.14 (14) violate state or federal do-not-call or telemarketing restrictions or prohibitions; or

24.15 (15) violate any other state or federal law or rule.

24.16 (b) No residential PACE administrator may:

24.17 (1) offer or provide direct or indirect monetary payments or any other form of  
24.18 compensation, incentive, kickback, inducement, or any other thing of value to a residential  
24.19 PACE contractor to offer, favor, or refer a homeowner to a residential PACE loan over  
24.20 other forms of financing or credit; and

24.21 (2) disclose or permit disclosure to a residential PACE contractor the amount of PACE  
24.22 loan financing for which a homeowner is eligible.

24.23 Subd. 25. **Relation to other laws.** (a) A residential PACE administrator must comply  
24.24 with the Servicemembers Civil Relief Act, United States Code, title 50, section 3901, et  
24.25 seq., except that, for the purposes of this section, the rights granted under the act may not  
24.26 be waived.

24.27 (b) A residential PACE administrator is subject to section 582.043.

24.28 Subd. 26. **Special protection for low-income homeowners.** (a) Neither a residential  
24.29 PACE administrator nor a residential PACE contractor may enter into a residential PACE  
24.30 loan contract with a homeowner unless the administrator first screens the homeowner for  
24.31 eligibility for, and, if eligible, refers the homeowner to, the free low-income weatherization

25.1 assistance program and low-income home energy assistance programs, relevant programs  
25.2 offered by the Minnesota Housing Finance Agency, relevant programs offered by the electric  
25.3 and gas utility company or companies serving the homeowner, and any other relevant no-  
25.4 or low-cost programs known to the administrator or contractor.

25.5 (b) For the purposes of this subdivision:

25.6 (1) "low-income" means income qualifying a homeowner for assistance under the  
25.7 low-income home energy assistance program;

25.8 (2) "low-income home energy assistance program" has the meaning given under section  
25.9 256J.08, subdivision 52; and

25.10 (3) "low-income weatherization assistance program" means the program described under  
25.11 section 216C.264.

25.12 Subd. 27. **Disclosures.** (a) The following verbatim disclosure must be provided to a  
25.13 homeowner on a one-page document, separate from any other, and in 14-point type:

25.14 **IMPORTANT THINGS TO KNOW ABOUT THIS LOAN**

25.15 **1. This loan is called a PACE loan.** PACE stands for Property Assessed Clean Energy  
25.16 Loan.

25.17 **2. This is not a typical loan.** You pay it back through your property taxes. Property  
25.18 taxes are paid annually or twice a year, not monthly, like most loans.

25.19 **3. You are putting up your house as a guarantee of repayment (collateral) for this loan.**  
25.20 **You could lose your house in foreclosure or tax forfeiture** if you fall behind or cannot  
25.21 meet the tax payments necessary to repay the loan.

25.22 **4. This PACE loan will increase your property taxes by [\$ insert annual amount]**  
25.23 **per year** for [insert duration of the loan] years, unless you pay the loan back early.

25.24 **5. Having a PACE loan on the house will likely make it harder to sell your house because**  
25.25 **you will have to pay off the PACE loan or reduce the price of the house by the amount of**  
25.26 **the remaining PACE loan balance.**

25.27 **6. Having a PACE loan on the house will likely make it more difficult to refinance your**  
25.28 **mortgage or get a loan modification. It may also delay a closing on a sale.**

25.29 **7. To learn about the benefits and risks of a PACE loan, contact the Minnesota**  
25.30 **Homeownership Center at 651-659-9336 or 866-462-6466 (toll-free) to get the name and**  
25.31 **location of a local certified housing counseling organization. You might also consider talking**  
25.32 **to a lawyer.**

26.1 (b) A residential PACE administrator or a residential PACE contractor shall give the  
26.2 disclosure in paragraph (a) to the homeowner five days prior to the execution by the  
26.3 homeowner of a residential PACE loan contract at the first in-person encounter with the  
26.4 homeowner at which a residential PACE loan or the installation of energy measures to be  
26.5 financed by a residential PACE loan is discussed.

26.6 No other disclosures or papers may be proffered with the disclosures and annual statement  
26.7 required under this subdivision. The administrator must ensure that the contact information  
26.8 for the referral provided in the disclosure is up to date.

26.9 (c) In addition to the disclosure required under paragraph (a), the residential PACE  
26.10 administrator must provide, before the execution of a PACE loan contract, a disclosure that  
26.11 is approved by the commissioner that includes information specified by the commissioner.  
26.12 The disclosure must include:

26.13 (1) the total amount of the assessment;

26.14 (2) the annual assessment payments and a payment schedule;

26.15 (3) the term of the assessment;

26.16 (4) the interest rate, all fees, and annual percentage rate of the PACE loan;

26.17 (5) the improvements to be installed;

26.18 (6) that no penalty shall be assessed or collected for prepayment of the assessment;

26.19 (7) that any potential utility savings are not guaranteed and may not be equal to or greater  
26.20 than the assessment payments or total assessment amount;

26.21 (8) that the payments will be added to the homeowner's property tax bill; and

26.22 (9) the amount by which escrowed property taxes will increase.

26.23 (d) A residential PACE administrator must provide an annual statement of the status of  
26.24 the residential PACE loan, including, at a minimum, the amount paid to date and the  
26.25 remaining balance of the loan.

26.26 (e) All legally required and voluntary disclosures made in connection with a residential  
26.27 PACE loan must be provided in the primary language of the homeowner if:

26.28 (1) requested by the homeowner;

26.29 (2) the residential PACE loan is advertised in that language; or

26.30 (3) the residential PACE loan contract was explained, discussed, or negotiated in that  
26.31 language, regardless of whether the residential PACE loan is advertised in that language.

27.1 Subd. 28. **Repayment.** (a) An implementing entity that finances an energy improvement  
27.2 under this section must:

27.3 (1) secure payment with a lien against the qualifying real property;

27.4 (2) collect repayments as a special assessment as provided for in section 429.101 or by  
27.5 charter, provided that special assessments may be made payable in up to 20 equal annual  
27.6 installments;

27.7 (3) impose requirements and conditions on financing arrangements to ensure timely  
27.8 repayment;

27.9 (4) require a petition to the implementing entity by all homeowners of the qualifying  
27.10 real property requesting collections of repayments as a special assessment under section  
27.11 429.101;

27.12 (5) provide that payments and assessments are not accelerated due to a default and that  
27.13 a tax delinquency for assessments not paid shall be subordinate to all other assessments on  
27.14 the property existing at the time. Payments made by the homeowner for unpaid special  
27.15 charges collected as a special assessment shall first be credited to any outstanding charge  
27.16 under section 429.021, subdivision 1, clauses (1) to (20), before applying any payment to  
27.17 unpaid special charges collected as a special assessment imposed under this section; and

27.18 (6) require that liability for special assessments related to the financing runs with the  
27.19 qualifying real property.

27.20 (b) If the implementing entity is an authority, the local government that authorized the  
27.21 authority to act as implementing entity shall impose and collect special assessments necessary  
27.22 to pay debt service on bonds issued by the implementing entity under section 216C.436,  
27.23 subdivision 8, and shall transfer all collections of the assessments upon receipt to the  
27.24 authority.

27.25 (c) All residential PACE administrators must develop, offer, and implement binding  
27.26 residential PACE loan forbearance, modification, and forgiveness mechanisms for  
27.27 homeowners of residential real property who are facing economic hardship. The mechanisms  
27.28 may not result in an increase in monthly payments and must restructure or forgive debt in  
27.29 cases of permanent hardship, including loss of income due to death or disability.

27.30 Subd. 29. **Prepayment of loan.** A homeowner may prepay a residential PACE loan, in  
27.31 whole or in part, at any time or from time to time without penalty or premium by paying  
27.32 the principal amount to be prepaid together with accrued interest to the date of prepayment.

Subd. 30. **Preservation of claims and defenses.** A homeowner or subsequent homeowner of, a successor in interest to, or any person obligated to pay the property taxes on qualifying residential real property encumbered by a PACE lien may assert all claims and defenses against a subsequent residential PACE administrator that the homeowner who originally entered into the residential PACE loan could assert against the original residential PACE administrator or servicer of a residential PACE loan.

Subd. 31. **Standard of conduct; agency relationship.** (a) Residential PACE administrators, residential PACE contractors, subcontractors of the residential PACE contractor, and agents thereof shall act in good faith toward and in the best interests of the homeowners.

(b) For the purposes of this section, a residential PACE contractor, a subcontractor of the residential PACE contractor, and any other agent of the contractor is an agent of a residential PACE administrator. The performance of any act related to a residential PACE loan contract by a residential PACE contractor, a subcontractor of the residential PACE contractor, or any agent of the contractor is considered an act of the administrator, provided the act was within the contractual scope work.

Subd. 32. **Remedies.** (a) Any homeowner aggrieved by a person or entity violating this section is entitled in an action to:

(1) actual, incidental, and consequential damages;

(2) statutory damages of either:

(i) \$5,000; or

(ii) \$10,000 if the defendant violated subdivision 11 or 17, clause (1);

(3) reasonable attorney fees; and

(4) investigative and court costs.

(b) A homeowner of qualified residential real property who is a vulnerable adult is entitled, in addition to any other relief available under this section, to the civil relief available under section 626.557, subdivision 20, if the homeowner prevails in any claim that the defendant:

(1) did not possess a license as required under subdivision 6; and

(2) violated subdivision 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, or 24.

(c) The remedies provided under this subdivision are cumulative, not exclusive, and do not restrict any remedy that is otherwise available to a homeowner at law or in equity.

29.1 Subd. 33. **Waivers not permitted.** The parties to a residential PACE loan contract may  
29.2 not waive any of the rights or requirements set forth or any provision contained in this  
29.3 section. Any waiver of any right, requirement, or provision in a residential PACE loan  
29.4 contract or home improvement contract for cost-effective energy improvements financed  
29.5 with a residential PACE loan is void and unenforceable as contrary to public policy.

29.6 Sec. 33. Minnesota Statutes 2016, section 290B.03, subdivision 1, is amended to read:

29.7 Subdivision 1. **Program qualifications.** The qualifications for the senior citizens'  
29.8 property tax deferral program are as follows:

29.9 (1) the property must be owned and occupied as a homestead by a person 65 years of  
29.10 age or older. In the case of a married couple, at least one of the spouses must be at least 65  
29.11 years old at the time the first property tax deferral is granted, regardless of whether the  
29.12 property is titled in the name of one spouse or both spouses, or titled in another way that  
29.13 permits the property to have homestead status, and the other spouse must be at least 62 years  
29.14 of age;

29.15 (2) the total household income of the qualifying homeowners, as defined in section  
29.16 290A.03, subdivision 5, for the calendar year preceding the year of the initial application  
29.17 may not exceed \$60,000;

29.18 (3) the homestead must have been owned and occupied as the homestead of at least one  
29.19 of the qualifying homeowners for at least 15 years prior to the year the initial application  
29.20 is filed;

29.21 (4) there are no state or federal tax liens or judgment liens on the homesteaded property;

29.22 (5) there are no mortgages or other liens, except for a residential PACE lien, as that term  
29.23 is defined under section 216C.435, subdivision 10d, on the property that secure future  
29.24 advances, except for those subject to credit limits that result in compliance with clause (6);  
29.25 and

29.26 (6) the total unpaid balances of debts secured by mortgages and other liens on the  
29.27 property, including unpaid and delinquent special assessments and interest and any delinquent  
29.28 property taxes, penalties, and interest, but not including property taxes payable during the  
29.29 year, does not exceed 75 percent of the assessor's estimated market value for the year.

29.30 Sec. 34. Minnesota Statutes 2016, section 429.011, subdivision 2a, is amended to read:

29.31 Subd. 2a. **Municipality; certain counties.** "Municipality" also includes the following:

30.1 (1) a county in the case of construction, reconstruction, or improvement of a county  
30.2 state-aid highway;

30.3 (2) a county in the case of construction, reconstruction, or improvement of a county  
30.4 highway as defined in section 160.02 including curbs and gutters and storm sewers;

30.5 (3) a county exercising its powers and duties under section 444.075, subdivision 1;

30.6 (4) a county for expenses not paid for under section 403.113, subdivision 3, paragraph  
30.7 (b), clause (3);

30.8 (5) a county in the case of the abatement of nuisances; and

30.9 (6) a county operating an energy improvements financing program under section  
30.10 216C.436 or section 216C.437.

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

30.12 Sec. 35. Minnesota Statutes 2016, section 429.021, subdivision 1, is amended to read:

30.13 Subdivision 1. **Improvements authorized.** The council of a municipality shall have  
30.14 power to make the following improvements:

30.15 (1) To acquire, open, and widen any street, and to improve the same by constructing,  
30.16 reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking  
30.17 strips of any material, or by grading, graveling, oiling, or otherwise improving the same,  
30.18 including the beautification thereof and including storm sewers or other street drainage and  
30.19 connections from sewer, water, or similar mains to curb lines.

30.20 (2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary  
30.21 sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps,  
30.22 lift stations, service connections, and other appurtenances of a sewer system, within and  
30.23 without the corporate limits.

30.24 (3) To construct, reconstruct, extend, and maintain steam heating mains.

30.25 (4) To install, replace, extend, and maintain street lights and street lighting systems and  
30.26 special lighting systems.

30.27 (5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems,  
30.28 including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks,  
30.29 treatment plants, and other appurtenances of a water works system, within and without the  
30.30 corporate limits.

31.1 (6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational  
31.2 facilities within or without the corporate limits.

31.3 (7) To plant trees on streets and provide for their trimming, care, and removal.

31.4 (8) To abate nuisances and to drain swamps, marshes, and ponds on public or private  
31.5 property and to fill the same.

31.6 (9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

31.7 (10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

31.8 (11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and  
31.9 promote a pedestrian skyway system. Such improvement may be made upon a petition  
31.10 pursuant to section 429.031, subdivision 3.

31.11 (12) To acquire, construct, reconstruct, extend, operate, maintain, and promote  
31.12 underground pedestrian concourses.

31.13 (13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public  
31.14 malls, plazas or courtyards.

31.15 (14) To construct, reconstruct, extend, and maintain district heating systems.

31.16 (15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection  
31.17 systems in existing buildings, but only upon a petition pursuant to section 429.031,  
31.18 subdivision 3.

31.19 (16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway  
31.20 sound barriers.

31.21 (17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution  
31.22 facilities owned by a municipal gas or electric utility.

31.23 (18) To purchase, install, and maintain signs, posts, and other markers for addressing  
31.24 related to the operation of enhanced 911 telephone service.

31.25 (19) To improve, construct, extend, and maintain facilities for Internet access and other  
31.26 communications purposes, if the council finds that:

31.27 (i) the facilities are necessary to make available Internet access or other communications  
31.28 services that are not and will not be available through other providers or the private market  
31.29 in the reasonably foreseeable future; and

31.30 (ii) the service to be provided by the facilities will not compete with service provided  
31.31 by private entities.

(20) To assess affected property owners for all or a portion of the costs agreed to with an electric utility, telecommunications carrier, or cable system operator to bury or alter a new or existing distribution system within the public right-of-way that exceeds the utility's design and construction standards, or those set by law, tariff, or franchise, but only upon petition under section 429.031, subdivision 3.

(21) To assess affected property owners for repayment of voluntary energy improvement financings under section 216C.436, subdivision 7, or section 216C.437, subdivision 28.

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

Sec. 36. Minnesota Statutes 2016, section 429.101, subdivision 1, is amended to read:

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

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

(2) weed elimination from streets or private property;

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

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

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

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

(7) the operation of a street lighting system;

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

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

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

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

33.1 (12) the recovery of delinquent vacant building registration fees under a municipal  
33.2 program designed to identify and register vacant buildings.

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

33.10 (c) A home rule charter city, statutory city, county, or town operating an energy  
33.11 improvements financing program under section 216C.436 or section 216C.437 has the  
33.12 authority granted to a municipality under paragraph (a) with respect to energy improvements  
33.13 financed under that section.

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

33.15 Sec. 37. **REPEALER.**

33.16 Minnesota Statutes 2016, section 216C.435, subdivision 5, is repealed.

**216C.435 DEFINITIONS.**

Subd. 5. **Energy improvement.** "Energy improvement" means:

- (1) any renovation or retrofitting of a building to improve energy efficiency that is permanently affixed to the property and that results in a net reduction in energy consumption without altering the principal source of energy;
- (2) permanent installation of new or upgraded electrical circuits and related equipment to enable electrical vehicle charging; or
- (3) a renewable energy system attached to, installed within, or proximate to a building that generates electrical or thermal energy from a renewable energy source.