

Act No. 270
Public Acts of 2010
Approved by the Governor
December 14, 2010
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**STATE OF MICHIGAN
95TH LEGISLATURE
REGULAR SESSION OF 2010**

Introduced by Reps. Warren, Smith, Scripps, Robert Jones, Roberts, Liss, Bauer and Meadows

ENROLLED HOUSE BILL No. 5640

AN ACT to authorize local units of government to adopt property assessed clean energy programs and to create districts to promote the use of renewable energy systems and energy efficiency improvements by owners of certain real property; to provide for the financing of such programs through voluntary property assessments, commercial lending, and other means; to authorize a local unit of government to issue bonds, notes, and other evidences of indebtedness and to pay the cost of renewable energy systems and energy efficiency improvements from the proceeds thereof; to provide for the repayment of bonds, notes, and other evidences of indebtedness; to authorize certain fees; to prescribe the powers and duties of certain governmental officers and entities; and to provide for remedies.

The People of the State of Michigan enact:

Sec. 1. This act shall be known and may be cited as the “property assessed clean energy act”.

Sec. 3. As used in this act:

(a) “District” means a district created under a property assessed clean energy program by a local unit of government that lies within the local unit of government’s jurisdictional boundaries. A local unit of government may create more than 1 district under the program, and districts may be separate, overlapping, or coterminous.

(b) “Energy efficiency improvement” means equipment, devices, or materials intended to decrease energy consumption, including, but not limited to, all of the following:

(i) Insulation in walls, roofs, floors, foundations, or heating and cooling distribution systems.

(ii) Storm windows and doors; multi-glazed windows and doors; heat-absorbing or heat-reflective glazed and coated window and door systems; and additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption.

(iii) Automated energy control systems.

(iv) Heating, ventilating, or air-conditioning and distribution system modifications or replacements.

(v) Caulking, weather-stripping, and air sealing.

(vi) Replacement or modification of lighting fixtures to reduce the energy use of the lighting system.

(vii) Energy recovery systems.

(viii) Day lighting systems.

(ix) Installation or upgrade of electrical wiring or outlets to charge a motor vehicle that is fully or partially powered by electricity.

(x) Measures to reduce the usage of water or increases the efficiency of water usage.

(xi) Any other installation or modification of equipment, devices, or materials approved as a utility cost-savings measure by the governing body.

(c) "Energy project" means the installation or modification of an energy efficiency improvement or the acquisition, installation, or improvement of a renewable energy system.

(d) "Governing body" means the county board of commissioners of a county, the township board of a township, or the council or other similar elected legislative body of a city or village.

(e) "Local unit of government" means a county, township, city, or village.

(f) "Person" means an individual, firm, partnership, association, corporation, unincorporated joint venture, or trust, organized, permitted, or existing under the laws of this state or any other state, including a federal corporation, or a combination thereof. However, person does not include a local unit of government.

(g) "Property" means privately owned commercial or industrial real property located within the local unit of government.

(h) "Property assessed clean energy program" or "program" means a program as described in section 5(2).

(i) "Record owner" means the person or persons possessed of the most recent fee title or land contract vendee's interest in property as shown by the records of the county register of deeds.

(j) "Renewable energy resource" means a resource that naturally replenishes over a human, not a geological, time frame and that is ultimately derived from solar power, water power, or wind power. Renewable energy resource does not include petroleum, nuclear, natural gas, or coal. A renewable energy resource comes from the sun or from thermal inertia of the earth and minimizes the output of toxic material in the conversion of the energy and includes, but is not limited to, all of the following:

(i) Biomass.

(ii) Solar and solar thermal energy.

(iii) Wind energy.

(iv) Geothermal energy.

(v) Methane gas captured from a landfill.

(k) "Renewable energy system" means a fixture, product, device, or interacting group of fixtures, products, or devices on the customer's side of the meter that use 1 or more renewable energy resources to generate electricity. Renewable energy system includes a biomass stove but does not include an incinerator or digester.

Sec. 5. (1) Pursuant to the procedures provided in section 7, a local unit of government may establish a property assessed clean energy program and may, from time to time, create a district or districts under the program.

(2) Under a program, the local unit of government may enter into a contract with the record owner of property within a district to finance or refinance 1 or more energy projects on the property. The contract may provide for the repayment of the cost of an energy project through assessments upon the property benefited. The financing or refinancing may include the cost of materials and labor necessary for installation, permit fees, inspection fees, application and administrative fees, bank fees, and all other fees that may be incurred by the record owner pursuant to the installation on a specific or pro rata basis, as determined by the local unit of government.

Sec. 7. (1) To establish a property assessed clean energy program, the governing body of a local unit of government shall take the following actions in the following order:

(a) Adopt a resolution of intent that includes all of the following:

(i) A finding that the financing of energy projects is a valid public purpose.

(ii) A statement of intent to provide funds for energy projects, which may be repaid by assessments on the property benefited, with the agreement of the record owners.

(iii) A description of the proposed arrangements for financing the program.

(iv) The types of energy projects that may be financed.

(v) Reference to a report on the proposed program as described in section 9(1) and a location where the report is available pursuant to section 9(2).

(vi) The time and place for a public hearing on the proposed program.

(b) Hold a public hearing at which the public may comment on the proposed program, including the report required by section 9.

(c) Adopt a resolution establishing the program and setting forth its terms and conditions, including all of the following:

(i) Matters required by section 9 to be included in the report. For this purpose, the resolution may incorporate the report or an amended version thereof by reference.

(ii) A description of which aspects of the program may be amended without a new public hearing and which aspects may be amended only after a new public hearing is held.

(2) A property assessed clean energy program may be amended by resolution of the governing body. Adoption of the resolution shall be preceded by a public hearing if required pursuant to subsection (1)(c).

Sec. 9. (1) The report on the proposed program required under section 7 shall include all of the following:

(a) A form of contract between the local unit of government and record owner governing the terms and conditions of financing and assessment under the program.

(b) Identification of an official authorized to enter into a program contract on behalf of the local unit of government.

(c) A maximum aggregate annual dollar amount for all financing to be provided by the local unit of government under the program.

(d) An application process and eligibility requirements for financing energy projects under the program.

(e) A method for determining interest rates on assessment installments, repayment periods, and the maximum amount of an assessment.

(f) Explanation of how assessments will be made and collected consistent with section 13(2).

(g) A plan for raising capital to finance improvements under the program. The plan may include any of the following:

(i) The sale of bonds or notes, subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(ii) Amounts to be advanced by the local unit of government through funds available to it from any other source.

(iii) Owner-arranged financing from a commercial lender. Under owner-arranged financing, the local unit of government may impose an assessment pursuant to section 11 and forward payments to the commercial lender or the record owner may pay the commercial lender directly.

(h) Information regarding all of the following, to the extent known, or procedures to determine the following in the future:

(i) Any reserve fund or funds to be used as security for bonds or notes described in subdivision (g).

(ii) Any application, administration, or other program fees to be charged to record owners participating in the program that will be used to finance costs incurred by the local unit of government as a result of the program.

(i) A requirement that the term of an assessment not exceed the useful life of the energy project paid for by the assessment.

(j) A requirement for an appropriate ratio of the amount of the assessment to the assessed value of the property.

(k) A requirement that the record owner of property subject to a mortgage obtain written consent from the mortgage holder before participating in the program.

(l) Provisions for marketing and participant education.

(m) Provisions for adequate debt service reserve fund.

(n) Quality assurance and antifraud measures.

(o) A requirement that a baseline energy audit be conducted before an energy project is undertaken, to establish future energy savings. After the energy project is completed, the local unit of government shall obtain verification that the renewable energy system or energy efficiency improvement was properly installed and is operating as intended.

(p) For an energy project financed with more than \$250,000.00 in assessments, both of the following:

(i) A requirement for ongoing measurements that establish the savings realized by the record owner from the energy project.

(ii) A requirement that, in the contract for installation of the energy project, the contractor guarantee to the record owner that the energy project will achieve a savings-to-investment ratio greater than 1 and agree to pay the record owner, on an annual basis, any shortfall in savings below this level.

(2) The local unit of government shall make the report available for review on the local unit of government's website or at the office of the clerk or the official authorized to enter contracts on behalf of the local unit of government under the property assessed clean energy program.

Sec. 11. (1) A local unit of government may impose an assessment under a property assessed clean energy program only pursuant to a written contract with the record owner of the property to be assessed.

(2) Before entering into a contract with a record owner under a program, the local unit of government shall verify all of the following:

(a) That there are no delinquent taxes, special assessments, or water or sewer charges on the property.

(b) That there are no delinquent assessments on the property under a property assessed clean energy program.

Sec. 13. (1) An assessment imposed under a property assessed clean energy program, including any interest on the assessment and any penalty, constitute a lien against the property on which the assessment is imposed until the assessment, including any interest or penalty, is paid in full. The lien runs with the property and has the same priority and status as other property tax and assessment liens. The local unit of government has all rights in the case of delinquency in the payment of an assessment as it does with respect to delinquent property taxes. When the assessment, including any interest and penalty, is paid, the lien shall be removed from the property.

(2) Installments of assessments due under a program shall be included in each summer and winter tax bill issued under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, and shall be collected at the same time and in the same manner as taxes collected under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155. Alternatively, installments may be billed and collected as provided in a special assessment ordinance of general applicability adopted by the local unit of government pursuant to state law or local charter.

Sec. 15. (1) A local unit of government may issue bonds or notes to finance energy projects under a property assessed clean energy program.

(2) Bonds or notes issued under subsection (1) shall not be general obligations of the local unit of government, but shall be secured by 1 or more of the following as provided by the governing body in the resolution or ordinance approving the bonds or notes:

(a) Payments of assessments on benefited property within the district or districts specified.

(b) Reserves established by the local unit of government from grants, bond or note proceeds, or other lawfully available funds.

(c) Municipal bond insurance, lines or letters of credit, public or private guaranties, standby bond purchase agreements, collateral assignments, mortgages, and any other available means of providing credit support or liquidity, including, but not limited to, arrangements described in section 315 of the revised municipal finance act, 2001 PA 34, MCL 141.2315.

(d) Tax increment revenues that may be lawfully available for such purposes.

(e) Any other amounts lawfully available for such purposes.

(3) A pledge of assessments, funds, or contractual rights made by a governing body in connection with the issuance of bonds or notes by a local unit of government under this act constitutes a statutory lien on the assessments, funds, or contractual rights so pledged in favor of the person or persons to whom the pledge is given, without further action by the governing body. The statutory lien is valid and binding against all other persons, with or without notice.

(4) Bonds or notes of 1 series issued under this act may be secured on a parity with bonds or notes of another series issued by the local unit of government pursuant to the terms of a master indenture or master resolution entered into or adopted by the governing body of the local unit of government.

(5) Bonds or notes issued under this act are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(6) Bonds or notes issued under this act, and interest payable on such bonds and notes, are exempt from all taxation by this state and its political subdivisions.

(7) Bonds or notes issued under this act further essential public and governmental purposes, including, but not limited to, reduced energy costs, reduced greenhouse gas emissions, economic stimulation and development, improved property valuation, and increased employment.

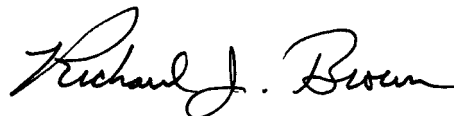
Sec. 17. A commercial or industrial electric customer that installs or modifies an electric energy efficiency improvement under a property assessed clean energy program is exempt from the energy optimization charges the customer would otherwise incur under section 89 or 91 of the clean, renewable, and efficient energy act, 2008 PA 295, MCL 460.1089 and 460.1091, if the customer conducts a self-directed energy optimization plan under and subject to the applicable requirements of section 93 of the clean, renewable, and efficient energy act, 2008 PA 295, MCL 460.1093. These requirements include, but are not limited to, the requirement that the plan provide for aggregate energy savings that each year meet or exceed the energy optimization standards based on the electricity purchases in the previous year for the site or sites covered by the self-directed plan.

Sec. 19. (1) A local unit of government may join with any other local unit of government, or with any person, or with any number or combination thereof, by contract or otherwise as may be permitted by law, for the implementation of a property assessed clean energy program, in whole or in part.

(2) If a property assessed clean energy program is implemented jointly by 2 or more local units of government pursuant to subsection (1), a single public hearing held jointly by the cooperating local units of government is sufficient to satisfy the requirements of section 7(1)(b).

Enacting section 1. This act does not take effect unless Senate Bill No. 1502 of the 95th Legislature is enacted into law.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor