

SENATE BILL No. 642

December 8, 2015, Introduced by Senators WARREN, ANANICH, GREGORY, BIEDA, HERTEL, HOPGOOD and YOUNG and referred to the Committee on Energy and Technology.

A bill to amend 2010 PA 270, entitled "Property assessed clean energy act," by amending sections 3, 9, and 15 (MCL 460.933, 460.939, and 460.945).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. As used in this act:

2 (a) "District" means a district created under a property
3 assessed clean energy program by a local unit of government that
4 lies within the local unit of government's jurisdictional
5 boundaries. A local unit of government may create more than 1
6 district under the program, and districts may be separate,
7 overlapping, or coterminous.

8 (b) "Energy efficiency improvement" means equipment, devices,
9 or materials intended to decrease energy consumption, including,

1 but not limited to, all of the following:

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

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

9 (iii) Automated energy control systems.

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

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

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

15 (vii) Energy recovery systems.

16 (viii) Day lighting systems.

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

20 (x) Measures to reduce the usage of water or ~~increases~~
21 **INCREASE** the efficiency of water usage.

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

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

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

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

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

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

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

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

19 (j) "Renewable energy resource" means a resource that
20 naturally replenishes over a human, ~~not~~ **RATHER THAN** a geological,
21 time frame, ~~and that is ultimately derived from solar power, water~~
22 ~~power, or wind power. Renewable energy resource does not include~~
23 ~~petroleum, nuclear, natural gas, or coal. A renewable energy~~
24 ~~resource comes from the sun or from thermal inertia of the earth,~~
25 ~~and minimizes the output of toxic material in the conversion of the~~
26 **WHICH TO A USABLE FORM OF** energy ~~and includes,~~ **MINIMIZES THE OUTPUT**
27 **OF TOXIC MATERIALS. RENEWABLE ENERGY RESOURCE DOES NOT INCLUDE**

1 **PETROLEUM, NUCLEAR MATERIAL, NATURAL GAS, OR COAL. RENEWABLE ENERGY**
2 **RESOURCE INCLUDES,** but is not limited to, all of the following:

3 (i) Biomass.

4 (ii) Solar and solar thermal energy.

5 (iii) Wind energy.

6 (iv) Geothermal energy.

7 (v) Methane gas captured from a landfill.

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

14 Sec. 9. (1) ~~The~~ **BEFORE ESTABLISHING A PROPERTY ASSESSED CLEAN**
15 **ENERGY PROGRAM, A LOCAL UNIT OF GOVERNMENT SHALL PREPARE A** report
16 on the proposed program. ~~required under section 7~~ **THE REPORT** shall
17 include all of the following:

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

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

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

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

27 (e) A method for determining interest rates on assessment

1 installments, repayment periods, and the maximum amount of an
2 assessment.

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

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

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

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

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

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

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

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

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

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

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

4 (K) ~~(l)~~ Provisions for marketing and participant education.

5 (L) ~~(m)~~ Provisions for **AN** adequate debt service reserve fund.

6 (M) ~~(n)~~ Quality assurance and antifraud measures.

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

13 (O) ~~(p)~~ For an energy project financed with more than
14 \$250,000.00 in assessments, both of the following:

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

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

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

27 Sec. 15. (1) A local unit of government may issue bonds or

1 notes to finance energy projects under a property assessed clean
2 energy program.

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

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

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

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

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

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

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

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

6 **(5) A LOCAL UNIT OF GOVERNMENT MAY ISSUE ITS GENERAL**
7 **OBLIGATION BONDS OR NOTES UNDER THIS ACT FOR ANY OF THE FOLLOWING**
8 **PURPOSES:**

9 **(A) ESTABLISHING A RESERVE FUND TO SECURE BONDS OR NOTES**
10 **ISSUED UNDER SUBSECTION (1).**

11 **(B) PAYING THE COSTS ASSOCIATED WITH CREATING A PROPERTY**
12 **ASSESSED CLEAN ENERGY PROGRAM, INCLUDING, BUT NOT LIMITED TO, LEGAL**
13 **FEES, THE COST OF PREPARING FORMS FOR CONTRACTS, THE COST OF**
14 **ESTABLISHING PROCEDURES AND REGULATIONS, THE COST OF PREPARING THE**
15 **REPORT DESCRIBED IN SECTION 9(1), AND THE COST OF CONDUCTING**
16 **PRELIMINARY ENERGY AUDITS WITHIN THE LOCAL UNIT OF GOVERNMENT.**

17 (6) ~~(5)~~ Bonds or notes issued under this act are subject to
18 the revised municipal finance act, 2001 PA 34, MCL 141.2101 to
19 141.2821.

20 (7) ~~(6)~~ Bonds or notes issued under this act, and interest
21 payable on such ~~such~~ **THESE** bonds and notes, are exempt from all taxation
22 by this state and its political subdivisions.

23 (8) ~~(7)~~ Bonds or notes issued under this act further essential
24 public and governmental purposes, including, but not limited to,
25 reduced energy costs, reduced greenhouse gas emissions, economic
26 stimulation and development, improved property valuation, and
27 increased employment.