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S.B. NO. 2815

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## A BILL FOR AN ACT

RELATING TO CLEAN ENERGY BONDS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the initial capital  
2 investment required by property owners to install renewable  
3 energy systems and energy efficiency improvements on residential  
4 and commercial properties is a significant barrier to reaching  
5 the State's clean energy targets. In order for the State to  
6 reach energy efficiency and clean energy goals, increased  
7 activity in residential and small commercial projects is  
8 essential. Employing innovative financing to remove known  
9 barriers and stimulate enterprise in the clean energy sector is  
10 beneficial to the public.

11           A property assessed clean energy bond is a bond where the  
12 proceeds are loaned to commercial and residential property  
13 owners to finance efficiency improvements and small renewable  
14 energy systems. The property owners repay their loans over a  
15 prescribed time period via an annual assessment on their  
16 property tax bill. The liability to repay the bond is attached  
17 to the property as an assessment on real property, rather than  
18 on the individual. The bonds can be issued by states, counties,



1 or municipalities and the proceeds can be typically used to  
2 retrofit both commercial and residential properties.

3 Sixteen other states have already established this type of  
4 bond financing or loan programs and two other states have  
5 pending bond legislation. Assisting projects and investment in  
6 Hawaii can provide jobs and long-term energy, environmental, and  
7 economic benefits.

8 This Act is compatible with the goals and objectives of the  
9 Hawaii clean energy initiative and is in the public interest.  
10 This Act will increase energy security, provide economic  
11 diversification, provide increased career opportunities for  
12 Hawaii residents, and attract funding and investment to Hawaii.

13 The purpose of this Act is to establish a property assessed  
14 clean energy bond financing program in the State.

15 SECTION 2. Chapter 39, Hawaii Revised Statutes, is amended  
16 by adding a new section to be appropriately designated and to  
17 read as follows:

18 "§39- Property assessed clean energy bond program. (a)  
19 Beginning July 1, 2011, and ending December 31, 2030, a property  
20 assessed clean energy bond program is authorized under this  
21 section.

22 (b) As used in this section:



1       "Renewable energy system" means a system that produces  
2 thermal or electrical energy from renewable sources, including  
3 units with an electrical back-up component that are intended for  
4 use within the residential or commercial property on which it is  
5 located. The following systems shall be deemed to be renewable  
6 energy systems:

- 7       (1) Solar hot water systems;
- 8       (2) Solar photovoltaic systems;
- 9       (3) Small wind systems; and
- 10      (4) Biogas systems.

11      "Energy efficiency improvements":

- 12      (1) Means the installation or physical modifications to a  
13      property that are designed to reduce energy  
14      consumption;
- 15      (2) Does not include appliances such as washing machines,  
16      dryers, dishwashers, and other similar appliances;
- 17      (3) Include the following:
  - 18      (A) Air sealing and ventilation;
  - 19      (B) Insulation;
  - 20      (C) Space heating and cooling;
  - 21      (D) Water heating;
  - 22      (E) Hardwired lighting;



- 1            (F) Daylighting;
- 2            (G) Windows;
- 3            (H) Doors and skylights;
- 4            (I) Reflective roofs; and
- 5            (J) Energy efficiency improvements to swimming pool
- 6                    equipment and landscaping.

7            "Residential properties" mean those properties as defined  
8 by the county code for the particular county in which the  
9 property is located.

10           "Commercial properties" mean those properties as defined by  
11 the county code for the particular county in which the property  
12 is located.

13           (c) The State may issue bonds and either acting alone or  
14 in partnership with a county or counties as authorized under  
15 chapter 39 and section 46-8, may incur debt for, or otherwise  
16 finance renewable energy systems and energy efficiency  
17 improvements undertaken by individual property owners within the  
18 State.

19           The State shall establish a loan program or utilize an  
20 existing loan program to lend the proceeds of the property  
21 assessed clean energy bonds. The principal and interest on the  
22 bonds shall be a general obligation of the State and the



1 applicable portion of property tax payments from the affected  
2 properties within the participating county or counties, upon  
3 agreement between the State and the county or counties, shall be  
4 applied to service the debt on the bonds.

5 (d) The department of business, economic development, and  
6 tourism shall contract with a third-party administrator to  
7 manage and administer the property assessed clean energy bond  
8 program under this section.

9 The third-party program administrator's duties and  
10 responsibilities shall be established by the department of  
11 business, economic development, and tourism by rule or order,  
12 and may include:

13 (1) Establishing criteria and procedures for the  
14 qualification of technologies and systems, and  
15 performing energy audits; including identifying the  
16 energy efficiency improvements and renewable energy  
17 systems that qualify for property assessed clean  
18 energy loan financing and developing appropriate  
19 procedures for the qualification of these improvements  
20 and systems;

21 (2) Calculating a property's current energy consumption  
22 and energy costs when an application is submitted by



1 the property owner, and estimating the potential cost  
2 benefits that could be realized through energy  
3 efficiency improvements or installation of renewable  
4 energy systems on the subject property;

5 (3) Providing education and training on energy efficiency  
6 improvements to applicants, including education and  
7 training on the selection and use of improvements to  
8 maximize energy efficiency;

9 (4) Prescribing the loan repayment periods and providing  
10 projected property tax assessment estimates when the  
11 applicant opts to take advantage of the financing made  
12 available under this section, including establishing  
13 deadlines for loan repayments and providing applicant  
14 property owners with the projected property tax  
15 assessment estimates that will be due and collected  
16 along with the ad valorem property tax bill; provided  
17 that the time allowed for the property owner to repay  
18 the assessment shall not exceed the life expectancy of  
19 the systems or improvements; provided further that in  
20 instances where multiple systems or improvements have  
21 been installed, the length of time shall not exceed



1 the average lifetime of all projects, weighted by  
2 cost;

3 (5) Assisting the counties with administrative duties  
4 related to the execution of this program, including  
5 the following:

6 (A) Initiation and authorship of all written  
7 agreements between participating property owners  
8 and the counties or funding institutions;

9 (B) Public outreach and program promotion within the  
10 counties, including community informational  
11 briefings and making available information  
12 relating to the program; and

13 (C) Revision to existing county documents needed to  
14 efficiently collect property tax assessment  
15 payments from participating property owners;

16 (6) Distributing state bond proceeds appropriated for this  
17 program to participating property owners or funding  
18 institutions, including responsibility for ensuring  
19 loan repayment to the State from revenues generated by  
20 participating county property tax assessments as  
21 described in this section; and



1       (7) Collecting, compiling, and reporting all data and  
2       information relating to the property assessed clean  
3       energy bond program to the State, department of  
4       business economic development and tourism, and the  
5       department of budget and finance;  
6       provided that the criteria, qualifications, procedures, and  
7       lifetimes of projects described in subparagraphs (1) and (3)  
8       shall be determined with approval from the department of  
9       business, economic development, and tourism.

10       (e) For a county to access funding generated by the sale  
11       of bonds issued by the State under this section, the county  
12       shall voluntarily agree to participate in the program authorized  
13       under this section by enacting an ordinance or other legally  
14       binding action. County participation shall constitute an  
15       agreement to institute and collect property tax payments,  
16       through the ad valorem real property tax collection schedule, in  
17       connection with the repayment of each individual loan financed  
18       by the bond proceeds under this chapter.

19       (f) This section shall take precedence over any  
20       conflicting provisions contained in any other section of this  
21       chapter.





1        (g) If any subsection, paragraph, clause, or provision of  
2 this section, or its application to any person or transaction or  
3 other circumstances, is for any reason held to be  
4 unconstitutional or invalid, the invalidity or unenforceability  
5 of the subsection, paragraph, or clause shall not affect the  
6 validity or enforceability of any of the remaining subsections,  
7 paragraphs, clauses, or provisions of this section, and to this  
8 end this section shall be considered severable."

9        SECTION 3. The director of finance is authorized to issue  
10 general obligation bonds in the sum of \$50,000,000 or so much  
11 thereof as may be necessary and the same sum or so much thereof  
12 as may be necessary is appropriated for fiscal year 2010-2011  
13 for the purposes identified in section 2 of this Act.

14        The sum appropriated shall be expended by the department of  
15 business, economic development, and tourism for the purposes of  
16 this Act.

17        SECTION 4. Free exercise of the counties. This Act does  
18 not in any way prohibit or limit the counties to institute a  
19 property assessed clean energy or similar financing program for  
20 and within their respective county, independent of state  
21 partnership or involvement.



1 SECTION 5. This Act shall take effect on July 1, 2010.

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INTRODUCED BY:

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**Report Title:**

Bond Financing; Clean Energy

**Description:**

Establishes a property assessed clean energy bond financing program for renewable energy system and energy efficiency improvements on residential and commercial properties, and authorizes the issuance of general obligation bonds to finance the program.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

