

JAN 27 2010

S.B. NO. 2865

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 in order for the
2 State to reach energy efficiency and clean energy goals,
3 increased activity in residential and small commercial projects
4 is essential. However, the initial capital investment required
5 to install renewable energy systems and energy efficiency
6 improvements is a significant barrier to residential and
7 commercial property owners. Employing innovative financing will
8 remove known barriers and stimulate enterprise in the clean
9 energy sector, helping the State to achieve its clean energy
10 targets while stimulating the economy.

11 A property assessed clean energy bond, commonly referred to
12 as a PACE bond, is a bond where the proceeds are lent to
13 commercial and residential property owners to finance efficiency
14 improvements and small renewable energy systems. Owners then
15 repay their loans over a prescribed time period via an annual
16 assessment on their property tax bill. The liability to repay
17 the bond is attached to the property, rather than the
18 individual, as an assessment on real property. By attaching the



1 debt to the property taxes, the chances for loss to the State
2 are very low even in these uncertain times since property tax
3 liens are senior to mortgage debts. Property assessed clean
4 energy bonds can be issued by the State or local governments and
5 the proceeds can typically be used to retrofit both commercial
6 and residential properties. Sixteen other states have already
7 established property assessed clean energy bond financing or
8 loan programs and two other states have pending legislation.

9 Assisting renewable energy projects and investments in
10 Hawaii can provide jobs, as well as long-term energy,
11 environmental, and economic benefits. Moreover, this Act is
12 compatible with the goals and objectives of the Hawaii clean
13 energy initiative. This Act will increase energy security,
14 encourage economic diversification, provide increased career
15 opportunities for Hawaii residents, and attract funding and
16 investment into the State.

17 The purpose of this Act is to establish a property assessed
18 clean energy bond financing program in Hawaii.

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



1 "§39- Property assessed clean energy bond program. (a)
2 Beginning July 1, 2011, and expiring December 31, 2030, there is
3 established a property assessed clean energy bond program.

4 (b) As used in this section:

5 "Energy efficiency improvements" means installation or
6 physical modifications to property designed to reduce energy
7 consumption. For the purposes of this Act, energy efficiency
8 improvements do not include appliances such as washing machines,
9 dryers, dishwashers, and all similar appliances. Energy
10 efficiency improvements shall include but not be limited to the
11 following list of measures:

- 12 (1) Air sealing and ventilation;
- 13 (2) Insulation;
- 14 (3) Space heating and cooling;
- 15 (4) Water heating;
- 16 (5) Hardwired lighting;
- 17 (6) Daylighting;
- 18 (7) Windows;
- 19 (8) Doors and skylights;
- 20 (9) Reflective roofs; and
- 21 (10) Energy efficiency improvements to pool equipment and
22 landscaping.



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, intended for use
4 within the residential or commercial property on which it is
5 located. The following systems qualify for inclusion in this
6 section:

7 (1) Solar hot water systems;

8 (2) Solar photovoltaic systems;

9 (3) Small wind systems; and

10 (4) Biogas systems.

11 (c) The State may issue bonds and may, either acting alone
12 or in partnership with a county or counties as authorized under
13 chapter 39, incur indebtedness for or otherwise finance
14 renewable energy systems and energy efficiency improvements
15 undertaken by individual property owners within the State. The
16 principal and interest on the subject bonds shall be a general
17 obligation of the State and the assessment payment revenues on
18 the affected properties within the participating county or
19 counties shall, upon agreement between the State and the county
20 or counties, be applied to service the debt on the bonds.

21 (d) In order to effectively and expeditiously carry out
22 the objectives of this Act, a third-party administrator shall be



1 contracted by the department of business, economic development,
2 and tourism through standard state procurement processes to
3 manage and administer the State property assessed clean energy
4 bond financing program authorized by this Act. The third-party
5 program administer shall be responsible for the following:

6 (1) Establishing criteria and procedures for qualifying
7 technologies and performing energy audits. The third-
8 party program administrator shall identify the energy
9 efficiency improvements that qualify for property
10 assessed clean energy bond loan financing and shall
11 develop appropriate procedures for qualifying
12 improvements. After a property owner has submitted an
13 application for property assessed clean energy bond
14 loan financing, the administrator shall calculate the
15 subject property's current energy consumption and
16 energy costs and estimate the potential cost benefits
17 that could be realized through energy efficiency
18 improvements and by installing renewable energy
19 systems on the subject property;

20 (2) Providing education and training on energy efficiency
21 improvements to applicants. Decision-making regarding
22 improvements to be selected and use of improvements in



1 order to maximize energy efficiency shall be a
2 required component in the education and training;
3 (3) Prescribing loan repayment periods and providing
4 projected property tax assessment estimates. The
5 program administrator shall prescribe a deadline for
6 loan repayment and provide the applicant property
7 owner with a projected property tax assessment
8 estimate that will be due and collected along with the
9 ad valorem property tax bill should the applicant
10 elect to obtain financing as provided by this program.
11 The length of time allowed for the property owner to
12 repay the assessment shall not exceed the life
13 expectancy of the systems or improvements. In
14 instances where multiple systems or improvements have
15 been installed, the length of time shall not exceed
16 the average lifetime of all projects, weighted by
17 cost. Lifetimes of projects shall be determined by
18 the program administrator with consultation from the
19 department of business, economic development, and
20 tourism or another qualified technical entity
21 designated by the aforementioned department;



1 (4) Assisting the counties with administrative duties
2 related to the execution of this program.

3 Administrative duties shall include:

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

7 (B) Public relations and program promotion within the
8 counties, including community outreach and making
9 information relating to the program available;

10 and

11 (C) Assisting the counties with any and all edits or
12 additions to existing county documents needed to
13 efficiently collect property tax assessment
14 payments from participating property owners.

15 (5) Distribution and repayment of program funds. The
16 program administrator shall be responsible for
17 accurately and appropriately distributing State bond
18 proceeds appropriated for this program to
19 participating property owners and funding
20 institutions. The program administrator shall also be
21 responsible for loan repayment to the State from



1 revenue generated by participating county property tax
2 assessments as described in this Act; and

3 (6) Reporting and accounting. The program administrator
4 shall be responsible for collecting, compiling, and
5 reporting all data and information relating to the
6 property assessed clean energy bond financing program
7 to the State, the department of business, economic
8 development, and tourism, and the department of budget
9 and finance.

10 (e) For a county to access funding generated by the sale
11 of aforementioned bonds by the State, the county shall
12 voluntarily agree to participate in the program enacted by this
13 measure. County participation shall constitute an agreement to
14 institute and collect property tax assessment payments, through
15 the ad valorem real property tax collection schedule, in
16 connection with the repayment of each individual loan financed
17 by bond proceeds."

18 SECTION 3. The director of finance is authorized to issue
19 general obligation bonds in the sum of \$ or so much
20 thereof as may be necessary and the same sum or so much thereof
21 as may be necessary is appropriated for fiscal year 2010-2011
22 for the purposes identified in Section 2 of this Act.



1 The sum appropriated shall be expended by the department of
2 business, economic development, and tourism for the purposes of
3 this Act.

4 SECTION 4. The appropriation made for the capital
5 improvement project authorized by this Act shall not lapse at
6 the end of the fiscal biennium for which the appropriation is
7 made; provided that all moneys from the appropriation
8 unencumbered as of June 30, 2012, shall lapse as of that date.

9 SECTION 5. This Act does not in any way prohibit or limit
10 the counties to institute a property assessed clean energy bond
11 or similar financing program for and within their respective
12 county independent of State partnership or involvement.

13 SECTION 6. New statutory material is underscored.

14 SECTION 7. This Act shall take effect upon its approval.

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Report Title:

Property Assessed Clean Energy Bond Financing

Description:

Establishes a Property Assessed Clean Energy bond financing program in Hawaii.

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