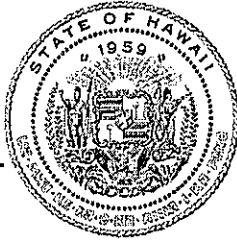


SB 3110

Measure Title: RELATING TO COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY.

Report Title: Commercial Property Assessed Clean Energy

Description: Establishes a commercial property assessed clean energy financing program to assist owners of qualifying commercial real property in financing energy improvements. Allows counties to create special energy improvement districts.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEES ON
ENERGY AND ENVIRONMENT;
PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY AFFAIRS;
AND
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING**

Wednesday, February 5, 2014
2:45 p.m.
State Capitol, Conference Room 016

in consideration of
SB 3110

RELATING TO COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY.

Chairs Gabbard, Espero, and Dela Cruz; Vice Chairs Ruderman, Baker, and Slom; and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) offers comments on SB 3110, which establishes a commercial Property Assessed Clean Energy (PACE) financing program that may be implemented by the counties or as part of a statewide program with opt-in by the counties.

DBEDT supports the intent of this measure to increase access to clean energy improvements by having the Counties enable the repayment of energy improvements over time on a consumer's property tax bill. Such efforts to improve access to renewable energy generation and energy efficiency installations will help us achieve our State's clean energy mandates. In this regard, DBEDT is currently developing the GEMS financing program, as established by Act 211, Session Laws of Hawaii 2013, to enable an innovative financing program available to residential and commercial consumers, making clean energy more accessible and affordable to a wider audience of Hawaii's consumers.

DBEDT has concerns that there are no resources appropriated if it is to implement the activities required to establish, manage and administer the commercial PACE program envisioned by SB 3110, including potentially contracting with a third-party administrator and other responsibilities included to implement a commercial PACE program, under Section 2, section 39- (e).

Due to the special assessments on qualified real property to be undertaken by counties under this measure, DBEDT respectfully defers to the Counties on the feasibility and implementation of a commercial PACE program.

We also defer to the Department of Budget & Finance on the bond financing and fiscal impacts of this bill, especially those proposed under Chapter 39 "State Bonds."

Thank you for the opportunity to offer these comments on SB 3110.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT,
PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY AFFAIRS, AND
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING
ON
SENATE BILL NO. 3110

February 5, 2014

RELATING TO COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY

Senate Bill No. 3110 establishes a commercial property assessed clean energy financing program to assist owners of qualifying commercial real property in financing energy improvements, and allows counties to create special energy improvement districts.

The Department supports the intent of this bill to the extent that providing financing opportunities into the private sector could facilitate greater penetration of alternative or renewable energy adoption. However, the Department believes that the financing mechanism proposed in Senate Bill No. 3110 is already anticipated to be accomplished through the Green Energy Market Securitization (GEMS) Program currently being developed by the Department of Business, Economic Development, and Tourism, pursuant to Act 211, SLH 2013. In our review of the GEMS approach, it does appear that the financing structure is more comprehensive and more rationally aligned between revenue and fees since revenues will be recaptured via property owners' utility bills for utility expenditures – and, not simply just as a real property tax charge or assessment.

In addition, any proposed financing mechanism would need to be thoroughly analyzed through the credit process, and any future issuance subject to financing feasibility. As is currently being experienced in the GEMS process, the formation of credit and management of the financing structure will be critically important to ensure that investors and the market are interested in putting up money for this program at a reasonable cost to the state, taxpayer and/or property owner. For these reasons, it is advisable that the Legislature allow the GEMS issue to progress and use it as the test-bed of financing before embarking on any newly creative financing structure.

Thank you for the opportunity to provide our testimony on this bill.



January 31, 2014

To: The Honorable Mike Gabbard, Chair
 Members, Senate Committee on Energy and Environment

 The Honorable Will Espero, Chair
 Members, Senate Committee on Public Safety, Intergovernmental and Military Affairs

 The Honorable Donovan M. Dela Cruz, Chair
 Members, Senate Committee on Economic Development, Government Operations and Housing

From: Tim Shestek
 Senior Director, State Affairs

RE: SB 3110 – SUPPORT

The American Chemistry Council (ACC) is writing in support of SB 3110, legislation that would establish a commercial property assessed clean energy financing program to assist commercial property owners in financing energy improvements.

ACC advocates for the adoption of the latest energy efficiency codes for both residential and commercial construction. ACC member companies manufacture the raw materials for a myriad of industries, including products that help make buildings and homes more energy efficient. The business of chemistry employs over 800,000 workers, making it one of the largest US industries in terms of employment. We have been an active supporter of the Energy Efficient Codes Coalition (EECC), a collective effort of business interests, architects, affordable housing advocates, utilities and environmental organizations working together to promote energy efficiency building codes.

Buildings account for nearly 40 percent of total energy consumption in the United States and over 70 percent of electricity use. SB 3110 presents a huge opportunity to achieve significant energy savings through the investment in energy efficient technologies. The program proposed in this bill would make it easier for owners of commercial properties to implement energy efficient measures and improvements that will save money, increase property values and create local jobs. This bill will provide property owners with a mechanism to finance energy efficient upgrades for their buildings that will not only produce significant cost savings, but also will result in improved health, safety and comfort for occupants.

For the above stated reasons, ACC supports HB 3110. If you have any questions or comments, please do not hesitate to contact me at 916-448-2581 or ACC's Hawaii based representatives Red Morris and/or John Radcliffe at 808-531-4551.

SB3110

Submitted on: 1/30/2014

Testimony for ENE/PSM/EGH on Feb 5, 2014 14:45PM in Conference Room 016

| Submitted By | Organization | Testifier Position | Present at Hearing |
|-----------------------|---------------------|-------------------------------|-------------------------------|
| Javier Mendez-Alvarez | Individual | Support | No |