

HOUSE RESEARCH

Bill Summary

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Overview

House File 1147 amends Minnesota's Property Assessed Clean Energy (PACE) statute to stimulate use of the program to finance conservation investments. PACE authorizes cities to sell bonds whose proceeds are used to make loans to property owners to invest in conservation measures or install renewable energy systems on their properties. The loans are paid off through an additional assessment on the property owner's property taxes.

While the use of PACE by residential properties has been effectively frozen by the decision by federal home mortgage agencies not to allow PACE loans to assume a superior position to the mortgage, commercial and industrial buildings are utilizing the program. This bill removes a restriction that inhibits the program's effectiveness: The PACE law allows loan terms to extend up to 20 years, but another state law restricts special assessments on property taxes, such as PACE, to a 10-year payback period. Section 4 of the bill eliminates that inconsistency.

The other sections of the bill require local implementers of PACE programs to fund measures with up to a 20-year payback. This is accomplished by including that measure in a new definition of "cost-effective energy improvements" and providing that a PACE program must not prohibit financing of all cost-effective improvements.