

1-1 By: Carona S.B. No. 385
1-2 (In the Senate - Filed February 5, 2013; February 13, 2013,
1-3 read first time and referred to Committee on Intergovernmental
1-4 Relations; March 18, 2013, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 5, Nays 0;
1-6 March 18, 2013, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	Hinojosa	X		
1-10	Nichols	X		
1-11	Garcia	X		
1-12	Paxton	X		
1-13	Taylor	X		

1-14 COMMITTEE SUBSTITUTE FOR S.B. No. 385 By: Nichols

1-15 A BILL TO BE ENTITLED
1-16 AN ACT

1-17 relating to authorizing assessments for water and energy
1-18 improvements in districts designated by municipalities and
1-19 counties.

1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-21 SECTION 1. Subtitle C, Title 12, Local Government Code, is
1-22 amended by adding Chapter 399 to read as follows:

1-23 CHAPTER 399. MUNICIPAL AND COUNTY WATER AND ENERGY IMPROVEMENT
1-24 DISTRICTS

1-25 Sec. 399.001. SHORT TITLE. This chapter may be cited as the
1-26 Property Assessed Clean Energy Act.

1-27 Sec. 399.002. DEFINITIONS. In this chapter:

1-28 (1) "District" means a district designated under this
1-29 chapter.

1-30 (2) "Local government" means a municipality or county.

1-31 (3) "Program" means a program established under this
1-32 chapter.

1-33 (4) "Qualified improvement" means a permanent
1-34 improvement fixed to real property and intended to decrease water
1-35 or energy consumption.

1-36 (5) "Qualified project" means the installation or
1-37 modification of a qualified improvement or the acquisition,
1-38 installation, or improvement of a renewable energy system.

1-39 (6) "Real property" means privately owned commercial
1-40 or industrial real property or residential real property with five
1-41 or more dwelling units.

1-42 (7) "Renewable energy system" means a permanently
1-43 fixed product or device, or interacting group of permanently fixed
1-44 products or devices, on the customer's side of the meter that uses a
1-45 renewable energy technology to generate electricity, provide
1-46 thermal energy, or regulate temperature.

1-47 Sec. 399.003. EXERCISE OF POWERS. In addition to the
1-48 authority provided by Chapter 376 for municipalities, the governing
1-49 body of a local government that establishes a program in accordance
1-50 with the requirements provided by Section 399.008 may exercise
1-51 powers granted under this chapter.

1-52 Sec. 399.004. AUTHORIZED ASSESSMENTS. (a) An assessment
1-53 under this chapter may be imposed to repay the financing of
1-54 qualified projects on real property located in a district
1-55 designated under this chapter.

1-56 (b) An assessment under this chapter may not be imposed to
1-57 repay the financing of:

1-58 (1) facilities for undeveloped lots or lots undergoing
1-59 development at the time of the assessment; or

1-60 (2) the purchase or installation of products or

2-1 devices not permanently fixed to real property.

2-2 Sec. 399.005. WRITTEN CONTRACT FOR ASSESSMENT REQUIRED. A
 2-3 local government may impose an assessment under this chapter only
 2-4 under a written contract with the record owner of the real property
 2-5 to be assessed.

2-6 Sec. 399.006. ESTABLISHMENT OF PROGRAM. (a) The governing
 2-7 body of a local government may determine that it is convenient and
 2-8 advantageous to establish a program under this chapter.

2-9 (b) An authorized official of the local government that
 2-10 establishes a program may enter into a written contract with a
 2-11 record owner of real property in a district designated under this
 2-12 chapter to impose an assessment to repay the owner's financing of a
 2-13 qualified project on the owner's property. The financing to be
 2-14 repaid through assessments may be provided by a third party or, if
 2-15 authorized by the program, by the local government.

2-16 (c) If the program provides for third-party financing, the
 2-17 authorized official of the local government that enters into a
 2-18 written contract with a property owner under Subsection (b) must
 2-19 also enter into a written contract with the party that provides
 2-20 financing for a qualified project under the program to service the
 2-21 debt through assessments.

2-22 (d) If the program provides for local government financing,
 2-23 the written contract described by Subsection (b) must be a contract
 2-24 to finance the qualified project through assessments.

2-25 (e) The financing for which assessments are imposed may
 2-26 include:

2-27 (1) the cost of materials and labor necessary for
 2-28 installation or modification of a qualified improvement or
 2-29 installation or improvement of a renewable energy system;

2-30 (2) permit fees;

2-31 (3) inspection fees;

2-32 (4) lender's fees;

2-33 (5) program application and administrative fees;

2-34 (6) project development and engineering fees;

2-35 (7) third-party review fees, including verification
 2-36 review fees, under Section 399.011; and

2-37 (8) any other fees or costs that may be incurred by the
 2-38 property owner incident to the installation, modification, or
 2-39 improvement on a specific or pro rata basis, as determined by the
 2-40 local government.

2-41 Sec. 399.007. DESIGNATION OF DISTRICT. (a) The governing
 2-42 body of a local government may determine that it is convenient and
 2-43 advantageous to designate an area of the local government as a
 2-44 district within which authorized local government officials and
 2-45 record owners of real property may enter into written contracts to
 2-46 impose assessments to repay the financing by owners of qualified
 2-47 projects on the owners' property and, if authorized by the local
 2-48 government program, finance the qualified project.

2-49 (b) An area designated as a district by the governing body
 2-50 of a local government under this section:

2-51 (1) may include the entire local government; and

2-52 (2) must be located wholly within the local
 2-53 government's jurisdiction.

2-54 (c) For purposes of determining a municipality's
 2-55 jurisdiction under Subsection (b)(2), the municipality's
 2-56 extraterritorial jurisdiction may be included.

2-57 (d) A local government may designate more than one district.
 2-58 If multiple districts are designated, the districts may be
 2-59 separate, overlapping, or coterminous.

2-60 Sec. 399.008. PROCEDURE FOR ESTABLISHMENT OF PROGRAM.
 2-61 (a) To establish a program under this chapter, the governing body
 2-62 of a local government must take the following actions in the
 2-63 following order:

2-64 (1) adopt a resolution of intent that includes:

2-65 (A) a finding that, if appropriate, financing
 2-66 qualified projects through contractual assessments is a valid
 2-67 public purpose;

2-68 (B) a statement that the local government intends
 2-69 to make contractual assessments to repay financing for qualified

3-1 projects available to property owners;
 3-2 (C) a description of the types of qualified
 3-3 projects that may be subject to contractual assessments;
 3-4 (D) a description of the boundaries of the
 3-5 district;
 3-6 (E) a description of any proposed arrangements
 3-7 for third-party financing to be available or any local government
 3-8 financing to be provided for qualified projects;
 3-9 (F) a description of local government debt
 3-10 servicing procedures if third-party financing will be provided and
 3-11 assessments will be collected to service a third-party debt;
 3-12 (G) a reference to the report on the proposed
 3-13 program prepared as provided by Section 399.009 and a statement
 3-14 identifying the location where the report is available for public
 3-15 inspection;
 3-16 (H) a statement of the time and place for a public
 3-17 hearing on the proposed program; and
 3-18 (I) a statement identifying the appropriate
 3-19 local official and the appropriate assessor-collector for purposes
 3-20 of consulting regarding collecting the proposed contractual
 3-21 assessments with property taxes imposed on the assessed property;
 3-22 (2) hold a public hearing at which the public may
 3-23 comment on the proposed program, including the report required by
 3-24 Section 399.009; and
 3-25 (3) adopt a resolution establishing the program and
 3-26 the terms of the program, including:
 3-27 (A) each item included in the report under
 3-28 Section 399.009; and
 3-29 (B) a description of each aspect of the program
 3-30 that may be amended only after another public hearing is held.
 3-31 (b) For purposes of Subsection (a)(3)(A), the resolution
 3-32 may incorporate the report or the amended version of the report, as
 3-33 appropriate, by reference.
 3-34 (c) Subject to the terms of the resolution establishing the
 3-35 program as referenced by Subsection (a)(3)(B), the governing body
 3-36 of a local government may amend a program by resolution.
 3-37 (d) A local government may:
 3-38 (1) hire and set the compensation of a program
 3-39 administrator and program staff; or
 3-40 (2) contract for professional services necessary to
 3-41 administer a program.
 3-42 (e) A local government may impose fees to offset the costs
 3-43 of administering a program. The fees authorized by this subsection
 3-44 may be assessed as:
 3-45 (1) a program application fee paid by the property
 3-46 owner requesting to participate in the program;
 3-47 (2) a component of the interest rate on the assessment
 3-48 in the written contract between the local government and the
 3-49 property owner; or
 3-50 (3) a combination of Subdivisions (1) and (2).
 3-51 Sec. 399.009. REPORT REGARDING ASSESSMENT. (a) The report
 3-52 for a proposed program required by Section 399.008 must include:
 3-53 (1) a map showing the boundaries of the proposed
 3-54 district;
 3-55 (2) a form contract between the local government and
 3-56 the property owner specifying the terms of:
 3-57 (A) assessment under the program; and
 3-58 (B) financing provided by a third party or the
 3-59 local government, as appropriate;
 3-60 (3) if the proposed program provides for third-party
 3-61 financing, a form contract between the local government and the
 3-62 third party regarding the servicing of the debt through
 3-63 assessments;
 3-64 (4) a description of types of qualified projects that
 3-65 may be subject to contractual assessments;
 3-66 (5) a statement identifying a local government
 3-67 official authorized to enter into written contracts on behalf of
 3-68 the local government;
 3-69 (6) a plan for ensuring sufficient capital for

third-party financing and, if appropriate, raising capital for local government financing for qualified projects;

(7) if bonds will be issued to provide capital to finance qualified projects as part of the program as provided by Section 399.015:

(A) a maximum aggregate annual dollar amount for financing through contractual assessments to be provided by the local government under the program;

(B) a method for ranking requests from property owners for financing through contractual assessments in priority order if requests appear likely to exceed the authorization amount; and

(C) a method for determining:
(i) the interest rate and period during which contracting owners would pay an assessment; and

(ii) the maximum amount of an assessment;

(8) a method for ensuring that the period of the contractual assessment does not exceed the useful life of the qualified project that is the basis for the assessment;

(9) a description of the application process and eligibility requirements for financing qualified projects to be repaid through contractual assessments under the program;

(10) a method as prescribed by Subsection (b) for ensuring that property owners requesting to participate in the program demonstrate the financial ability to fulfill financial obligations to be repaid through contractual assessments;

(11) a statement explaining the manner in which property will be assessed and assessments will be collected;

(12) a statement explaining the lender notice requirement provided by Section 399.010;

(13) a statement explaining the review requirement provided by Section 399.011;

(14) a description of marketing and participant education services to be provided for the program;

(15) a description of quality assurance and antifraud measures to be instituted for the program; and

(16) the procedures for collecting the proposed contractual assessments.

(b) The method for ensuring a demonstration of financial ability under Subsection (a)(10) must be based on appropriate underwriting factors, including:

(1) providing for verification that:
(A) the property owner requesting to participate under the program:

(i) is the legal owner of the benefited property;

(ii) is current on mortgage and property tax payments; and

(iii) is not insolvent or in bankruptcy proceedings; and

(B) the title of the benefited property is not in dispute; and

(2) requiring an appropriate ratio of the amount of the assessment to the assessed value of the property.

(c) The local government shall make the report available for public inspection:

(1) on the local government's Internet website; and

(2) at the office of the official designated to enter into written contracts on behalf of the local government under the program.

Sec. 399.010. NOTICE TO MORTGAGE HOLDER REQUIRED FOR PARTICIPATION. Before a local government may enter into a written contract with a record owner of real property to impose an assessment to repay the financing of a qualified project under this chapter:

(1) the holder of any mortgage lien on the property must be given written notice of the owner's intention to participate in a program under this chapter on or before the 30th day before the date the written contract for assessment between the

owner and the local government is executed; and

(2) a written consent from the holder of the mortgage lien on the property must be obtained.

Sec. 399.011. REVIEW REQUIRED. (a) A program established under this chapter must require for each proposed qualified project a review of water or energy baseline conditions and the projected water or energy savings to establish the projected water or energy savings.

(b) After a qualified project is completed, the local government shall obtain verification that the qualified project was properly completed and is operating as intended.

(c) A baseline water or energy review or verification review under this section must be conducted by an independent third party.

Sec. 399.012. DIRECT ACQUISITION BY OWNER. The proposed arrangements for financing a qualified project may authorize the property owner to:

(1) purchase directly the related equipment and materials for the installation or modification of a qualified improvement or the installation or modification of a renewable energy system; and

(2) contract directly, including through lease, power purchase agreement, or other service contract, for the installation or modification of a qualified improvement or the installation or modification of a renewable energy system.

Sec. 399.013. LIEN. (a) A contractual assessment under this chapter and any interest or penalties on the assessment:

(1) is a first and prior lien against the real property on which the assessment is imposed until the assessment, interest, or penalty is paid; and

(2) has the same priority status as a lien for any other ad valorem tax.

(b) The lien runs with the land, and that portion of the assessment under the assessment contract that has not yet become due is not eliminated by foreclosure of a property tax lien.

(c) The assessment lien may be enforced by the local government in the same manner that a property tax lien against real property may be enforced by the local government to the extent the enforcement is consistent with Section 50, Article XVI, Texas Constitution.

(d) Delinquent installments of the assessments incur interest and penalties in the same manner as delinquent property taxes.

(e) A local government may recover costs and expenses, including attorney's fees, in a suit to collect a delinquent installment of an assessment in the same manner as in a suit to collect a delinquent property tax.

Sec. 399.014. COLLECTION OF ASSESSMENTS. The governing body of a local government may contract with the governing body of another taxing unit, as defined by Section 1.04, Tax Code, or another entity, including a county assessor-collector, to perform the duties of the local government relating to collection of assessments imposed by the local government under this chapter.

Sec. 399.015. BONDS OR NOTES. (a) A local government may issue bonds or notes to finance qualified projects through contractual assessments under this chapter.

(b) Bonds or notes issued under this section may not be general obligations of the local government. The bonds or notes must be secured by one or more of the following as provided by the governing body of the local government in the resolution or ordinance approving the bonds or notes:

(1) payments of contractual assessments on benefited property in one or more specified districts designated under this chapter;

(2) reserves established by the local government from grants, bonds, or net proceeds or other lawfully available funds;

(3) municipal bond insurance, lines of credit, public or private guaranties, standby bond purchase agreements, collateral assignments, mortgages, or any other available means of providing credit support or liquidity;

(4) tax increment revenues that are lawfully available for purposes consistent with this chapter; and

(5) any other funds lawfully available for purposes consistent with this chapter.

(c) A local government pledge of assessments, funds, or contractual rights in connection with the issuance of bonds or notes by the local government under this chapter is a first lien on the assessments, funds, or contractual rights pledged in favor of the person to whom the pledge is given, without further action by the local government. The lien is valid and binding against any other person, with or without notice.

(d) Bonds or notes issued under this chapter further an essential public and governmental purpose, including:

(1) improvement of the reliability of the state electrical system;

(2) conservation of state water resources consistent with the state water plan;

(3) reduction of energy costs;

(4) economic stimulation and development;

(5) enhancement of property values;

(6) enhancement of employment opportunities; and

(7) reduction in greenhouse gas emissions.

Sec. 399.016. JOINT IMPLEMENTATION. (a) Any combination of local governments may agree to jointly implement or administer a program under this chapter.

(b) If two or more local governments implement a program jointly, a single public hearing held jointly by the cooperating local governments is sufficient to satisfy the requirement of Section 399.008(a)(2).

(c) One or more local governments may contract with a third party, including another local government, to administer a program.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

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