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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2386

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The bill was read for the first time and referred to the Committee on Climate and Energy Finance and Policy

1.1 A bill for an act  
1.2 relating to energy; establishing a grant program to promote energy conservation  
1.3 and renewable energy systems in certain buildings; requiring a report; appropriating  
1.4 money; proposing coding for new law in Minnesota Statutes, chapter 216C.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. [216C.402] REBUILD RIGHT GRANT PROGRAM.

1.7 Subdivision 1. Definitions. (a) For the purposes of this section and section 2, the  
1.8 following terms have the meanings given.

1.9 (b) "Cold climate air-source heat pump" means a mechanism that heats and cools indoor  
1.10 air by transferring heat from outdoor or indoor air using a fan, a refrigerant-filled heat  
1.11 exchanger, and an inverter-driven compressor that varies the pressure of the refrigerant to  
1.12 warm or cool the refrigerant vapor.

1.13 (c) "Commercial building" means a building:

1.14 (1) with an occupant that is (i) engaged in wholesale or retail trade or the provision of  
1.15 services, or (ii) a restaurant; or

1.16 (2) that contains four or more dwelling units.

1.17 (d) "Energy conservation" has the meaning given in section 216B.241, subdivision 1,  
1.18 paragraph (e).

1.19 (e) "Energy efficiency" has the meaning given in section 216B.241, subdivision 1,  
1.20 paragraph (f).

2.1 (f) "Energy storage system" has the meaning given in section 216B.2422, subdivision  
2.2 1, paragraph (f).

2.3 (g) "Envelope" means the physical elements separating a building's interior and exterior.

2.4 (h) "Grantee" means a person awarded a grant by the commissioner under this section.

2.5 (i) "Ground-source heat pump" means an earth-coupled heating or cooling device  
2.6 consisting of a sealed closed-loop piping system installed in the ground to transfer heat  
2.7 between the surrounding earth and a building.

2.8 (j) "Institutional building" means a building with occupants that provide health care,  
2.9 educational, or government services.

2.10 (k) "Preweatherization measure" means a general repair or measure that affects the health  
2.11 or safety of residents of a dwelling unit and that is required under federal law in order for  
2.12 weatherization services to be provided to the dwelling unit.

2.13 (l) "Qualified energy technology" means:

2.14 (1) a solar energy system;

2.15 (2) a measure installed in a building that results in energy efficiency or energy  
2.16 conservation, excluding a natural gas furnace that does not function solely as a backup to  
2.17 a primary heating system utilizing a ground-source heat pump or a cold climate air-source  
2.18 heat pump; or

2.19 (3) an energy storage system.

2.20 (m) "Residential building" means a building containing one to three residential units.

2.21 (n) "Solar energy system" has the meaning given in section 216C.06, subdivision 17.

2.22 Subd. 2. **Program establishment.** A rebuild right grant program is established in the  
2.23 Department of Commerce to award grants to incorporate qualified energy technologies as  
2.24 part of the renovation or new construction of buildings damaged or destroyed by civil unrest  
2.25 in May and June 2020.

2.26 Subd. 3. **Application.** (a) An application for a grant under this section must be made to  
2.27 the commissioner on a form developed by the commissioner. The application must include:

2.28 (1) evidence substantiating the applicant's experience required under subdivision 4,  
2.29 paragraph (b);

2.30 (2) information detailing how property owners are notified that financial assistance is  
2.31 available;

3.1 (3) the geographic area within which an applicant proposes to target financial assistance;

3.2 (4) information detailing how the applicant determines whether a proposed project meets  
3.3 the applicable energy standards required under subdivision 5, and what postimplementation  
3.4 methods are used to assess whether the standards have been met;

3.5 (5) information detailing how the applicant evaluates and ranks project proposals; and

3.6 (6) any other information required by the commissioner.

3.7 (b) The commissioner must develop administrative procedures and processes to review  
3.8 applications and award grants under this section.

3.9 Subd. 4. **Eligible applicants.** (a) Multiple organizations, including political subdivisions  
3.10 and nonprofit organizations, may jointly file a single application for a grant award under  
3.11 this section.

3.12 (b) Applicants for a grant awarded under this section must have experience:

3.13 (1) analyzing the energy and economic impacts of installing qualified energy technologies  
3.14 in buildings;

3.15 (2) working with contractors to implement projects that install qualified energy  
3.16 technologies in buildings; and

3.17 (3) successfully working with small businesses, community groups, and residents of  
3.18 neighborhoods that contain a preponderance of low-income households.

3.19 Subd. 5. **Eligible activities; energy standards.** (a) Except as provided in paragraph (b),  
3.20 a renovated or newly constructed commercial or institutional building awarded grant funds  
3.21 under this section must meet, at a minimum, the current Sustainable Building 2030 energy  
3.22 performance standards adopted under section 216B.241, subdivision 9.

3.23 (b) A renovated or newly constructed commercial building containing four or more  
3.24 dwelling units awarded grant funds under this section must meet, at a minimum, the current  
3.25 energy performance standards for new residential construction or renovations, as applicable,  
3.26 contained in the International Passive House Standard promoted by the North American  
3.27 Passive House Network or the United States Department of Energy's Zero Energy Ready  
3.28 Home.

3.29 Subd. 6. **Eligible properties.** A property is eligible to receive a grant awarded under  
3.30 this section if the property: (1) was damaged or destroyed by civil unrest that occurred in  
3.31 the state in May and June 2020, and (2) is being renovated or constructed to operate as a  
3.32 residential, commercial, or institutional property.

4.1 Subd. 7. **Eligible expenditures.** An appropriation made to support activities under this  
4.2 section may be used to:

4.3 (1) conduct outreach activities to:

4.4 (i) cities and business associations affected by the civil unrest that occurred in Minnesota  
4.5 in May and June 2020;

4.6 (ii) persons listed in subdivision 8, clause (1), items (i) to (iv); and

4.7 (iii) potential building owners who may receive services under the program;

4.8 (2) purchase and install qualified energy technologies in buildings;

4.9 (3) pay the reasonable costs incurred by the department to administer this section; and

4.10 (4) compensate task force members under subdivision 12.

4.11 Subd. 8. **Grant priorities.** When awarding grants under this section, the commissioner  
4.12 must give priority to applications that:

4.13 (1) commit to conduct aggressive outreach programs to provide assistance under this  
4.14 section to eligible owners of buildings:

4.15 (i) located in census tracts in which 50 percent or more of households have household  
4.16 incomes at or below 60 percent of the state median household income;

4.17 (ii) located in census tracts designated by the governor as Opportunity Zones under  
4.18 United States Code, title 26, sections 1400Z-1, et. seq.;

4.19 (iii) containing minority-owned businesses, as defined in section 116J.8737; or

4.20 (iv) containing women-owned businesses, as defined in section 116J.8737;

4.21 (2) commit to employ contractors that pay employees a wage comparable to, as  
4.22 determined by the commissioner, the prevailing wage rate, as defined in section 177.42; or

4.23 (3) leverage additional funding to be used for the purposes of this section.

4.24 Subd. 9. **Limits.** Grant funds awarded under this section to support the renovation or  
4.25 construction of building envelopes and energy systems in commercial or institutional  
4.26 buildings may be used to pay the difference in cost between renovating or constructing a  
4.27 building's envelope or energy system to meet the current applicable energy code and the  
4.28 cost to meet the standards required under subdivision 5. The commissioner must develop  
4.29 a methodology to calculate the cost of renovating or constructing a commercial or institutional  
4.30 building's envelope and energy system to meet current applicable energy code standards,  
4.31 which must be used by a grantee to determine the amount awarded to a building owner.

5.1 Subd. 10. **Awards to building owners.** A commercial or institutional building owner  
5.2 seeking funding from a grant awarded under this section must submit an application to the  
5.3 grantee that includes:

5.4 (1) evidence that the building is eligible to receive a grant under this section, including  
5.5 documentation of damage done to the building;

5.6 (2) a description of the project, including cost estimates for major project elements;

5.7 (3) documentation that the measures funded result in the building meeting the applicable  
5.8 energy standards of subdivision 5; and

5.9 (4) any other information required by a grantee.

5.10 Subd. 11. **Grantee reports.** Recipients of a grant awarded under this section must file  
5.11 semiannual reports with the commissioner containing:

5.12 (1) a list of properties where grant funds have been expended, the amount of the  
5.13 expenditures, and the nature of the energy efficiency measures and renewable energy systems  
5.14 installed;

5.15 (2) estimated energy savings and greenhouse gas emissions reductions resulting from  
5.16 expenditures made under this section compared with estimated levels of energy use and  
5.17 greenhouse gas emissions associated with those properties in 2019; and

5.18 (3) any other information required by the commissioner.

5.19 Subd. 12. **Advisory task force.** (a) Within 60 days of the effective date of this act, the  
5.20 commissioner must select and appoint eight members to a Rebuild Back Better Advisory  
5.21 Task Force and must convene the initial meeting of the task force. The advisory task force  
5.22 must include:

5.23 (1) one representative of the public utility subject to section 116C.779, subdivision 1;

5.24 (2) one representative of the Prairie Island Indian Community;

5.25 (3) one representative of organized labor;

5.26 (4) two representatives of organizations with expertise installing energy conservation  
5.27 measures and renewable energy programs in buildings;

5.28 (5) one representative of organizations that advocate for energy policies addressing  
5.29 low-income households; and

6.1 (6) two representatives of organizations representing businesses located in areas that  
6.2 experienced extensive property damage from civil unrest in Minnesota in May and June  
6.3 2020.

6.4 (b) Within 60 days of the effective date of this act, the state senators and state  
6.5 representatives representing Minneapolis neighborhoods that suffered extensive property  
6.6 damage from civil unrest in May and June 2020 must jointly appoint as task force members  
6.7 two residents who live in the neighborhoods where the property damage occurred.

6.8 (c) Within 60 days of the effective date of this act, the state senators and state  
6.9 representatives representing St. Paul neighborhoods that suffered extensive property damage  
6.10 from civil unrest in May and June 2020 must jointly appoint as task force members two  
6.11 residents who live in the neighborhoods where the property damage occurred.

6.12 (d) Members of the advisory task force appointed under paragraph (a), clauses (1) to  
6.13 (3), are nonvoting members. All other members are voting members.

6.14 (e) The Department of Commerce must serve as staff and provide administrative support  
6.15 to the advisory task force.

6.16 (f) The advisory task force must advise the commissioner throughout the development  
6.17 of the request for proposal and grant award process, and may recommend funding priorities  
6.18 in addition to those listed in subdivision 8. Within 60 days of the initial meeting, the advisory  
6.19 task force must present recommendations to the commissioner regarding the content of the  
6.20 request for proposal.

6.21 (g) An organization that is represented on the advisory task force must not be awarded  
6.22 a grant under this section.

6.23 (h) Notwithstanding section 15.059, subdivision 6, advisory task force members may  
6.24 be compensated as provided under section 15.059, subdivision 3.

6.25 (i) The advisory task force established under this subdivision expires two years after the  
6.26 effective date of this act.

6.27 Subd. 13. **Report.** Beginning January 15, 2022, and continuing each January 15 through  
6.28 2026, the commissioner must submit a report to the chairs and ranking minority members  
6.29 of the senate and house of representatives committees with jurisdiction over energy policy.  
6.30 The report must contain:

6.31 (1) a list of the grant awards made under this section;

6.32 (2) summaries of the grantee reports submitted under subdivision 10; and

7.1 (3) other information deemed relevant by the commissioner.

7.2 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.3 Sec. 2. **SUPPLEMENTING WEATHERIZATION SERVICES.**

7.4 (a) The state may implement preweatherization measures and qualified energy  
 7.5 technologies in dwelling units of low-income households that are: (1) receiving  
 7.6 weatherization services delivered under the federal Weatherization Assistance Program  
 7.7 authorized under United States Code, title 42, section 6861, et. seq.; and (2) located in  
 7.8 neighborhoods adjacent to areas that experienced property damage resulting from civil  
 7.9 unrest in May and June 2020, as determined by the commissioner of commerce.

7.10 (b) Minnesota Statutes, section 216C.264, subdivisions 1 to 3 and 6, apply to assistance  
 7.11 provided under this section.

7.12 (c) The commissioner of commerce may require the design heating load of a dwelling  
 7.13 unit receiving assistance under this section to be no more than 12 British Thermal Units per  
 7.14 hour per square foot after all preweatherization measures financed under this section,  
 7.15 qualified energy technologies financed under this section, and weatherization measures  
 7.16 provided under the federal weatherization program are implemented.

7.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.18 Sec. 3. **APPROPRIATION.**

7.19 (a) Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j),  
 7.20 \$..... in fiscal year 2022 is appropriated from the renewable development account established  
 7.21 under Minnesota Statutes, section 116C.779, subdivision 1, to the commissioner of commerce  
 7.22 for the purposes of sections 1 and 2. Of this amount, 75 percent is appropriated for the  
 7.23 purposes of the rebuild right grant program under section 1 and 25 percent is appropriated  
 7.24 for the purposes of supplementing weatherization services under section 2. This is a onetime  
 7.25 appropriation.

7.26 (b) Of the amount appropriated for grants under section 1, up to 11.1 percent may be  
 7.27 used in newly constructed buildings containing four or more dwelling units. After ....., any  
 7.28 unexpended and unencumbered funds eligible for expenditure under this paragraph may be  
 7.29 used for the other purposes specified under section 1.

7.30 (c) Any amount of this appropriation that remains unexpended and unencumbered on  
 7.31 December 31, 2025, cancels to the renewable development account.

- 8.1 (d) Money appropriated under this section must be expended only on buildings located  
8.2 in the Minnesota retail electric service area of the public utility subject to Minnesota Statutes,  
8.3 section 116C.779, subdivision 1.