09/06/25. Key Changes and Incorporation of Notes Into Draft Legislation

1. **North Carolina Language in Italics**:
   - Language directly adapted from North Carolina's Senate Bill 802 is presented in *italics* throughout the bill (e.g., definitions, administration, financing, and lien provisions). This includes specific wording for the C-PACE toolkit, fees, assessment and lien rules, and financing terms, ensuring clarity on North Carolina's contributions.
   - Vermont-specific adaptations (e.g., Vermont Department of Economic Development, VEDA, municipal land records, and voter approval) are in regular type to distinguish them.
2. **Notes in Bold Type**:
   - **Commercial-Only Focus**: Emphasized in **§ 3261(b)**, **§ 3262(8)**, and **§ 3264(a)(4)(d)**, explicitly excluding single-family residential properties for private individuals, allowing multifamily properties (five or more units) as commercial.
   - **No Municipal Indebtedness**: Incorporated in **§ 3262(3)**, **§ 3268(d)**, and **§ 3271**, ensuring financing is private with no municipal financial involvement.
   - **Removal of Department of Financial Regulation**: Reflected in **§ 3268(d)**, with underwriting by C-PACE qualified lenders and technical reviews by the statewide administrator in **§ 3264(a)(3)(a)**.
   - **Defined Improvement Categories**: Listed in **§ 3262(9)**, including Efficient Energy (with cogeneration), Renewable Energy, Water Efficiency, HVACR, Lighting, Envelope, and Resiliency, with resiliency articulated by design engineers.
   - **Cogeneration Emphasis**: Highlighted in **§ 3261(c)(4)** and **§ 3262(9)(a)**, noting cogeneration's 91–93% efficiency, grid demand reduction, and CO_2-negative potential.
   - **Three-Year Look-Back**: Included in **§ 3262(9)** and **§ 3264(a)(1)(e)** and **(a)(3)(a)**, allowing retroactive eligibility for improvements.
   - **C-PACE Qualified Lenders**: Incorporated in **§ 3262(1)**, **§ 3262(5)**, **§ 3264(a)(1)(f)**, **§ 3264(a)(8)**, and **§ 3268(d)**, ensuring lender tools and a qualified lender list.
3. **Removal of "R" Designation**:
   - All references to "C-PACE-R" changed to "C-PACE" to avoid confusion with "Residential," maintaining resiliency measures in **§ 3262(9)(g)**.

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A STATEWIDE COMMERCIAL PROPERTY-ASSESSED CLEAN ENERGY (C-PACE) PROGRAM IN VERMONT
It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 24 V.S.A. chapter 87, subchapter 2 is amended to read:

Subchapter 2. Commercial Property-Assessed Clean Energy (C-PACE)
§ 3261. Purpose; Findings

(a) *This Article shall be known and may be cited as the "Commercial Property Assessed Clean Energy (C-PACE) Act."* **This subchapter is titled the "Vermont Commercial Property Assessed Clean Energy (C-PACE) Act" to emphasize its commercial-only focus, explicitly excluding single-family residential properties for private individuals.** (b) *This Article authorizes the establishment of a statewide C-PACE Program that local governments may voluntarily join to allow willing owners of commercial, industrial, agricultural, nonprofit, and multifamily residential properties with five or more dwelling units to obtain low-cost, long-term financing for qualifying improvements, including energy efficiency, water conservation, renewable energy, and resilience projects, secured by an assessment and lien authorized by this Article.* **The purpose of this subchapter is to establish a statewide C-PACE program that municipalities may voluntarily join to allow commercial building owners, including those with multifamily residential properties of five or more units, to finance efficient energy, renewable energy, water efficiency, HVACR, lighting, envelope, and resiliency projects, with a focus on high-efficiency cogeneration systems achieving 91–93% efficiency and CO_2-negative potential.** (c) *The State finds that a valid public purpose exists because the use of a C-PACE Program creates an additional financing mechanism for property owners to use private funds to finance improvements to their eligible property, thereby driving economic development by creating a diversity of jobs in the resilience and clean energy sectors of the economy. The assessment requires minimal upfront costs and provides a more accessible financial mechanism to fund* *improvements that will increase the tax value of the affected properties at minimal administrative cost to local governments. C-PACE improvements allow property owners to save on their utility bills because the improvements lead to energy or utility savings and will result in improved indoor air quality or increased resilience, which will increase the ability of communities and local governments to respond to natural disasters and improve public health.* **The General Assembly further finds that promoting cogeneration reduces grid demand and supports CO2-negative outcomes, enhancing environmental and economic benefits.**

§ 3262. Definitions

As used in this Article:

(1) **Capital provider**: *A private entity, or the private entity's designee, successor, and assigns, that makes or funds qualifying improvements under this Article.* **Qualified by the statewide administrator based on criteria in the C-PACE toolkit, ensuring financial stability and experience with C-PACE or similar programs.** (2) **C-PACE assessment**: *A voluntary assessment imposed on a commercial property by a local government under this Article pursuant to an assessment agreement for the total amount of the C-PACE financing. The voluntary C-PACE assessment shall not constitute a tax.* (3) **C-PACE financing**: *Direct financing between capital providers and property owners within the jurisdictional boundaries of a local government participating in the C-PACE Program to finance qualifying improvements.* **Provided exclusively by private C-PACE qualified lenders with no municipal indebtedness.** (4) **C-PACE lien**: *A lien to secure the C-PACE assessment that remains on the qualifying property until paid in full.* (5) **C-PACE toolkit**: *A comprehensive set of documents developed by the statewide administrator in consultation with stakeholders and local governments and subject to approval by the program sponsor that describes the C-PACE Program guidelines, application approval criteria, and forms consistent with the administration of the program as provided for in this Article.* **Includes tools provided by C-PACE qualified lenders, such as standardized financing templates, underwriting guidelines, and repayment calculators, developed in consultation with municipalities.** (6) **Financing agreement**: *The contract in which a property owner agrees to repay a capital provider for the C-PACE financing provided, including, but not limited to, any finance charges, fees, debt servicing, accrual of interest and penalties, and any terms relating to the treatment of prepayment and partial payment, and the billing,*

collection, and enforcement of the C-PACE financing. (7) **Program sponsor**: *The North Carolina Department of Commerce.* **In Vermont, the Vermont Department of Economic Development.** (8) **Qualifying commercial property**: *Privately owned commercial, industrial, or agricultural real property or privately owned residential real property consisting of five or more dwelling units. This term includes property owned by nonprofit, charitable, or religious organizations.***Explicitly excludes single-family residential properties owned or occupied by private individuals for personal residential use.** (9) **Qualifying improvement**: *A permanently affixed improvement to a building on a qualifying commercial property as part of the construction or renovation of the qualifying property and that includes one or more of the following approved by the program sponsor:*

(a) *Energy efficiency measure. – An equipment, physical component, or program change implemented that results in less energy used to perform the same function and that meets or exceeds then-existing State and federal building codes and efficiency standards or conservation codes, including, but not limited to, energy produced from a combined heat and power system that uses nonrenewable energy resources.* **Includes cogeneration systems achieving 91–93% efficiency by producing electricity and recapturing heat for hot water, heating, or other uses, reducing grid demand and potentially achieving CO2-negative outcomes.**(b) *Resiliency measure. – An equipment, physical component, or program change implemented that includes, but is not limited to, storm retrofits, flood mitigation, stormwater management, wind resistance, indoor air quality improvement, electric vehicle charging station, backup energy generators enrolled in an electric public utility demand response program, energy storage, and microgrids and other resilience projects.* **Articulated in specific ways by licensed design engineers to enhance property resilience.** (c) *Renewable energy measure. – A renewable energy resource as defined in G.S. 62-133.8.* **As defined in 30 V.S.A. § 8002(17), excluding systems reliant on battery storage or grid sales unless paired with efficient backup systems.**(d) *Water conservation measure. – An equipment, physical component, or program change implemented to decrease water consumption or demand or to address safe drinking water.*

(e) **HVACR measure**: **Heating, ventilation, air conditioning, and refrigeration systems improving energy efficiency or indoor air quality.**

(f) **Lighting measure**: **Upgrades to energy-efficient lighting systems.**
(g) **Envelope measure**: **Improvements to building insulation, windows, or roofing enhancing energy efficiency or resilience.**
Completed within the three years prior to the application date or proposed for future installation. (10) **Statewide administrator**: *The Economic Development Partnership of North Carolina.* **In Vermont, the Vermont Economic Development Authority (VEDA).**

§ 3263. Statewide C-PACE Program – Authorization

(a) The State authorizes a statewide C-PACE Program in which any local government may participate.
(b) The program sponsor is hereby authorized under this Article to oversee the C-PACE Program.

§ 3264. Statewide C-PACE Program – Administration

(a) *In the administration of the C-PACE Program, the statewide administrator shall do the following:*
(1) *Prepare a C-PACE toolkit in consultation with stakeholders and local governments and subject to approval by the program sponsor prior to accepting applications for C-PACE financing, which shall include, at a minimum, all of the following:*
(a) *A form of assessment agreement to be used between a local government and property owner specifying the terms of the C-PACE assessment.*
(b) *A form of notice of C-PACE assessment that identifies the qualified commercial property subject to the C-PACE assessment and the property owner consenting to the C-PACE assessment.*
(c) *A form of assignment of the C-PACE lien from the local government to the capital provider that cross-references the registry book and page number of the notice C-PACE assessment giving rise to the lien.*
(d) *A form of consent to a C-PACE assessment by the holder of a mortgage, deed of trust, or other lien upon the qualifying commercial property.*
(e) *A form of project application with checklist requirements and corresponding documentation that will be required by the statewide administrator to approve a project application.* **Including documentation verifying that qualifying improvements were completed within the three years prior to the application or are proposed for future installation.**

(f) **Tools and resources provided by C-PACE qualified lenders, including standardized financing agreement templates, underwriting guidelines, and repayment calculators, to facilitate efficient and consistent financing processes.**

(2) *Impose fees to offset the actual and reasonable costs of administering the C-PACE Program, including:*

(a) *An application fee not to exceed seven hundred fifty dollars ($750.00).*

(b) *A processing fee assessed to the property owner whose application for C-PACE financing is approved, which shall be one percent (1%) of the total amount financed but shall not be more than twenty-five thousand dollars ($25,000).*

(3) *Establish the process for reviewing and evaluating applications, which shall, at a minimum, require the following to be provided or demonstrated:*

(a) *For an existing building: (i) where renewable energy, energy efficiency, or water conservation measures are proposed, an energy analysis by a licensed engineering firm or engineer or another qualified professional listed in the C-PACE toolkit stating that the proposed qualifying improvements will result in more efficient use or conservation of energy that meets or exceeds then-existing State and federal building codes and efficiency standards or conservation codes, more efficient use or conservation of water, the reduction of greenhouse gas emissions, or the addition of renewable sources of energy or water or (ii) where resilience measures are proposed, certification by a licensed engineer stating that the qualifying improvements will result in improved resilience.* **With a technical, feasibility, and cost/useful life analysis of Energy Improvement Measures (EIMs) conducted by the statewide administrator, completed within the three years prior to the application or proposed for future installation.**

(b) *For construction of a new building, certification by a licensed engineering firm or engineer stating that the proposed qualifying improvements will allow the proposed project to exceed the energy or water efficiency requirements of the current State building code, or in the case of a resiliency measure, achieve compliance with a national model resiliency standard.*

(c) *For existing or new buildings, certification by a licensed engineering firm or engineer that all available electric public utility energy efficiency and demand response programs available to property owners and any tenants thereof have been evaluated prior to applying for C-PACE financing.*

(4) *Require any property owner applying for C-PACE financing to certify that the applicant:*
(a) *Is the holder of title in fee simple to the qualifying commercial property and that title to the qualifying commercial property is not in dispute.*
(b) *Is current on all mortgage payments and property taxes.*
(c) *Is not insolvent or in bankruptcy proceedings.*
(d) **Ownership of a qualifying commercial property, explicitly excluding single-family residential properties used for personal residential purposes by private individuals.**
(5) *Accept and approve project applications for C-PACE financing meeting the requirements of subdivision (3) of this subsection.*
(6) *Upon execution by the local government of (i) a C-PACE assessment and (ii) a notice of assignment of C-PACE lien related to an approved project application, record such documents in the office of the register of deeds in the county in which the approved property is located. The statewide administrator may delegate recording duties to the property owner and the capital provider.* **In Vermont, records are filed in municipal land records.**
(7) *Submit a report to the program sponsor annually.*
(8) **Establish and maintain a list of C-PACE qualified lenders, based on criteria such as financial stability, experience with C-PACE or similar financing programs, and compliance with program guidelines, to ensure reliable financing sources for property owners.**
(b) *The provisions of Chapter 150B of the General Statutes shall not apply to the C-PACE toolkit or any actions of the program sponsor or statewide administrator in the administration of the program.* **In Vermont, the provisions of 3 V.S.A. chapter 25 (Administrative Procedure Act) shall not apply.**
§ 3265. Municipal Participation
(a) *A local government seeking to participate in the C-PACE Program shall adopt a resolution that includes all of the following:*
(1) *A grant of authorization for the C-PACE Program to operate within its jurisdictional boundaries and for the statewide administrator to provide the administrative services described in G.S. 160A-239.14.*
(2) *A statement that the local government intends to (i) authorize C-PACE financing, (ii) authorize the imposition of C-PACE assessments on qualifying commercial properties benefitting from qualifying improvements to secure repayment of C-PACE financing, (iii) assign the C-PACE lien to*

the capital provider providing C-PACE financing, and (iv) delegate billing, collection, and enforcement duties for the C-PACE assessment and C-PACE lien to capital providers.
(3) *A statement that the amount of a C-PACE financing and related assessment repayment terms shall be pursuant to the related financing agreement.*
(4) *A statement identifying the local government department or employee that shall, upon receipt of an approved project application for C-PACE financing within its jurisdictional boundaries from the statewide administrator, execute the documents included in G.S. 160A-239.14(a)(1)a., b., and c. on behalf of the local government.*
(5) *A statement that the local government shall be reimbursed by the statewide administrator for the actual and reasonable costs associated with the performance of the duties described in subdivision (4) of this subsection.*
(6) *A statement of the time and place for a public hearing on the proposed program.* **In Vermont, the resolution must be approved by a majority of qualified voters at an annual or special meeting.**
(b) *The governing body of the local government may, after conducting a public hearing on the proposed program, adopt a resolution providing that the local government is joining the C-PACE Program.* **In Vermont, the municipal legislative body adopts this resolution post-hearing.**
§ 3266. Immunity and Foreclosure Process
(a) Neither the State nor any participating local government, its officers, or employees shall be liable for any actions taken pursuant to this Article.
(b) A local government shall not be financially or legally liable or responsible for any assessment and lien imposed within its jurisdiction under the program.
(c) The capital provider shall be solely responsible for all billing, collection, and enforcement of the C-PACE assessment and C-PACE lien.
(d) Delinquent C-PACE assessment payments shall incur interest and penalties as specified in the financing agreement and shall accrue to the C-PACE lien.
(e) Enforcement of a delinquent C-PACE assessment payment by the capital provider shall be in the manner of the foreclosure of a deed of trust as provided in Article 2A of Chapter 45 of the General Statutes, except that C-PACE assessment payments not yet billed or due may not be accelerated or extinguished by foreclosure of the delinquent assessment

payment or payments. **In Vermont, enforcement follows the foreclosure process for mortgages under 12 V.S.A. chapter 172.**
The C-PACE lien shall be inferior to all prior and subsequent State, local, and federal taxes or liens and superior to all other liens on the property from the date on which the notice of the C-PACE assessment was recorded until the C-PACE assessment, interest, penalties, and charges accrued or accruing are paid.

§ 3267. C-PACE Assessment and Lien

The following shall apply to the C-PACE assessment and lien:

(1) *The lien shall be inferior to all prior and subsequent State, local, and federal taxes or liens and superior to all other liens on the property from the date on which the notice of the C-PACE assessment is recorded until the C-PACE assessment, interest, penalties, and charges accrued or accruing are paid.*

(2) *The lien shall run with the land, and that portion of the C-PACE assessment that is not yet due may not be accelerated or eliminated by foreclosure of a property tax or other lien.*

(3) *The C-PACE lien may not be contested on the basis that the improvement is not a qualified improvement or for any procedural or substantive irregularities related to the financing.*

(4) *For C-PACE assessments for leaseholds, the C-PACE assessment may be levied on the leasehold or possessory interest, including on publicly-owned land, subject to the consent of the entity owning the property and shall be payable by the owner of the leasehold interest.*

§ 3268. Financing

(a) The financing for assessments imposed under this Article may include, but is not limited to:

(1) *The cost of materials and labor necessary for the installation or modification of a qualified improvement.*

(2) *Permit fees.*

(3) *Inspection fees.*

(4) *Financing fees.*

(5) *Application and administrative fees.*

(6) *Project development and engineering fees.*

(7) *Interest reserves.*

(8) *Capitalized interest, in an amount determined by the owner of the commercial property and the capital provider.*

(9) *Any other fees or costs incurred by the property owner incident to the installation, modification, or improvement on a specific or pro rata basis, as determined by the local government.*
(b) The term of the C-PACE financing may not exceed the weighted average useful life of qualifying improvements.
(c) The total amount for financing of the qualifying improvement secured by the property shall not exceed thirty-five percent (35%) of the value of the property. The calculation of value used to determine the maximum amount of financing available for a particular property shall reflect the reasonable expected stabilized value of the property with the proposed qualifying improvements installed.
*(d) The financing agreement between the capital provider and the property owner shall be negotiated by the parties, including all terms and conditions of repayment, including interest, penalties, and prepayment.***Negotiated with a C-PACE qualified lender, with no involvement of the Department of Financial Regulation, as lenders underwrite the developer's plan.**

§ 3269. Lender Consent

Prior to entering into an assessment agreement, the property owner must submit to the statewide administrator a written statement, executed by each holder of a mortgage, deed of trust, or other lien on the property securing indebtedness, indicating their consent to the C-PACE assessment and that the C-PACE assessment does not constitute an event of default under the terms of the mortgage, deed of trust, or other indebtedness secured by lien.

§ 3270. Purchases and Contracts

The proposed arrangements for C-PACE financing may authorize the property owner to do any of the following:
(1) *Directly purchase the related equipment and materials for the installation or modification of a qualifying improvement.*
(2) *Contract directly, including through lease, power purchase agreement, or other service contract, for the related equipment and materials used in the installation or modification of a qualifying improvement.*

§ 3271. Prohibition on Use of Public Funds

It is the intent of this Article that neither the State nor any local government shall use public funds to fund or repay any C-PACE assessment. Nothing in this Article shall be interpreted as authorizing a local government to pledge, offer, or encumber its full faith and credit, and no local government shall pledge, offer, or encumber its full faith and credit under this Article.

Reinforces that financing is provided exclusively by private C-PACE qualified lenders with no municipal indebtedness.

Sec. 2. EFFECTIVE DATE

This act shall take effect on July 1, 2026, to allow time for the development of the C-PACE toolkit and municipal adoption processes.

Key Changes and Incorporation of Notes

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