Hello: 09/04/25 C Pace VT - C below is created from all our work to date in 2025. It now combines Nick's & Senator Chittenden's bill received 09/04/25 with all notes (John & Mike & others including people who are Red) and co- combines with North Carolina's GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2023 SESSION LAW 2024-44 SENATE BILL 802 . NC is being applied for all reasons given prior including real simple language just like real Vermonters use.- Libby

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 subchapter shall be known and may be cited as the "Vermont Commercial Property Assessed Clean Energy (C-PACE) Act." (b) The purpose of this subchapter is to establish a statewide C-PACE program that municipalities 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 private financing for qualifying improvements, including efficient energy, renewable energy, water efficiency, HVACR, lighting, envelope, and resiliency projects, secured by a special assessment and lien. **This program is exclusively for commercial building owners, including those with properties used for residential purposes such as multifamily housing with five or more units, and explicitly excludes single-family residential properties owned or occupied by private individuals for personal residential use.** (c) The General Assembly finds that a valid public purpose exists because the C-PACE program: (1) Creates an additional financing mechanism using private funds to support improvements that drive economic development by creating jobs in resilience and clean energy sectors. (2) Reduces utility costs, improves indoor air quality, and increases resilience against natural disasters. (3) Increases the tax value of affected properties with minimal administrative cost to municipalities. (4) Promotes highly efficient technologies, such as cogeneration, which can achieve 91–93% efficiency by producing electricity and recapturing heat for uses such as hot water or sidewalk

heating, reducing grid demand and potentially achieving CO2-negative outcomes when using propane or natural gas.

§ 3262. Definitions

As used in this subchapter:

(1) **Capital provider**: A private entity, or its designee, successor, or assigns, that provides or funds qualifying improvements under this subchapter, **qualified by the statewide administrator based on criteria established in the C-PACE toolkit, including financial stability and experience with C-PACE or similar financing programs.**

(2) (2) **C-PACE assessment**: A voluntary assessment imposed by a municipality on qualifying property to repay the costs of C-PACE financing, not constituting a tax.

(3) (3) **C-PACE financing**: Direct financing between capital providers and property owners within a participating municipality to fund qualifying improvements, **provided exclusively by private C-PACE qualified lenders with no municipal indebtedness.**

(4) (4) **C-PACE lien**: A lien securing the C-PACE assessment, remaining on the property until paid in full.

(5) (5) **C-PACE toolkit**: A set of documents developed by the statewide administrator, in consultation with stakeholders, municipalities, and **C-PACE qualified lenders**, and approved by the program sponsor, outlining program guidelines, application criteria, forms, **and tools provided by qualified lenders to facilitate financing agreements, including standardized financing templates, underwriting guidelines, and repayment calculators.**

(6) (6) **Financing agreement**: A contract between a property owner and a C-PACE qualified lender specifying repayment terms for C-PACE financing, including finance charges, fees, interest, penalties, and prepayment conditions.

(7) (7) **Program sponsor**: The Vermont Department of Economic Development.

(8) (8) **Qualifying commercial property**: Privately owned commercial, industrial, agricultural, nonprofit, charitable, religious, or residential real property consisting of five or more dwelling units, including leaseholds on publicly-owned land with owner consent. **This term explicitly excludes single-family residential properties owned or occupied by private individuals for personal residential use.**

(9) (9) **Qualifying improvement**: A permanently affixed improvement to a qualifying commercial property, **completed within the three years prior to the application date or proposed for future installation**, approved by the program sponsor, falling within the following categories: (a) **Efficient Energy measure**: Equipment or program changes reducing energy use, meeting or exceeding state and federal building codes, including **cogeneration systems** (combined heat and power) that achieve high efficiency (e.g., 91–93%) by producing electricity and recapturing heat for hot water, heating, or other uses, reducing grid demand and potentially achieving CO2-negative outcomes. (b) **Renewable Energy measure**: Resources as defined in 30 V.S.A. § 8002(17), such as solar, wind, or biomass, excluding systems reliant on battery storage or grid sales unless paired with efficient backup systems. (c) **Water Efficiency measure**: Equipment or program changes reducing water consumption or improving safe drinking water. (d) **HVACR measure**: Heating,

ventilation, air conditioning, and refrigeration systems improving energy efficiency or indoor air quality. (e) **Lighting measure**: Upgrades to energy-efficient lighting systems. (f) **Envelope measure**: Improvements to building insulation, windows, or roofing enhancing energy efficiency or resilience. (g) **Resiliency measure**: Improvements such as storm retrofits, flood mitigation, wind resistance, energy storage, or microgrids, **articulated in specific ways by licensed design engineers to enhance property resilience against natural disasters.**

(10)(10) **Statewide administrator**: The Vermont Economic Development Authority (VEDA).

§ 3263. Statewide C-PACE Program – Authorization

(a) The State authorizes a statewide C-PACE program in which any municipality may participate. (b) The program sponsor is authorized to oversee the C-PACE program, with administrative duties delegated to the statewide administrator.

§ 3264. Statewide C-PACE Program – Administration

(a) The statewide administrator shall: (1) Develop a C-PACE toolkit, in consultation with stakeholders, municipalities, and **C-PACE qualified lenders**, approved by the program sponsor, including: (a) A form of assessment agreement between a municipality and property owner. (b) A notice of C-PACE assessment identifying the property and consenting owner. (c) A form of assignment of the C-PACE lien from the municipality to the capital provider. (d) A form of lender consent from holders of mortgages or liens. (e) A project application form with checklist requirements, **including documentation verifying that qualifying improvements were completed within the three years prior to the application or are proposed for future installation.**

(b) (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.**

(c) (2) Impose fees to offset administrative costs: (a) An application fee not exceeding $750. (b) A processing fee of 1% of the financed amount, not exceeding $25,000.

(d) (3) Establish a review process requiring:

(e) (a) For existing buildings: An energy analysis or resilience certification by a licensed engineer confirming efficiency, conservation, or resilience improvements, **completed within the three years prior to the application or proposed for future installation, with a technical, feasibility, and cost/useful life analysis of Energy Improvement Measures (EIMs) conducted by the statewide administrator.**

(f) (b) For new buildings: Certification by a licensed engineer that improvements exceed state building code requirements.

(g) (c) Evaluation of all available utility energy efficiency and demand response programs.
(h) (4) Require property owners to certify:
(i) (a) Clear title in fee simple, not in dispute.
(j) (b) Current on all mortgage payments and property taxes.
(k) (c) Not insolvent or in bankruptcy proceedings.
(l) (d) **Ownership of a qualifying commercial property, explicitly excluding single-family residential properties used for personal residential purposes by private individuals.**
(m) (5) Accept and approve project applications meeting the above criteria.
(n) (6) Record assessment and lien assignment documents in the municipal land records, delegable to the property owner or capital provider.
(o) (7) Submit an annual report to the program sponsor.
(p) (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.**
(q) (b) The provisions of 3 V.S.A. chapter 25 (Administrative Procedure Act) shall not apply to the C-PACE toolkit or actions of the program sponsor or administrator.

§ 3265. Municipal Participation

(a) A municipality seeking to participate in the C-PACE program shall adopt a resolution, approved by a majority of qualified voters at an annual or special meeting, that includes: (1) Authorization for the C-PACE program to operate within its boundaries and for the statewide administrator to provide administrative services. (2) Intent to authorize C-PACE financing, impose assessments, assign liens to capital providers, and delegate billing, collection, and enforcement to capital providers. (3) Identification of the municipal department or employee to execute assessment and lien documents. (4) A statement that the municipality shall be reimbursed by the statewide administrator for costs associated with document execution. (5) A schedule for a public hearing on the proposed program. (b) After conducting a public hearing, the municipal legislative body may adopt a resolution joining the C-PACE program.

§ 3266. Immunity and Foreclosure Process

(a) Neither the State nor any participating municipality, its officers, or employees shall be liable for actions taken under this subchapter. (b) A municipality shall not be financially or legally liable for any assessment or lien imposed under the program. (c) Capital providers shall be solely responsible for billing, collection, and enforcement of C-PACE assessments and liens. (d) Delinquent assessment payments shall incur interest and penalties as specified in the financing agreement. Enforcement shall follow the foreclosure process for mortgages under 12 V.S.A. chapter 172, except that future assessment payments not yet due may not be accelerated or extinguished by foreclosure. (e) The C-PACE lien shall be inferior to

state, local, and federal tax liens and superior to all other liens from the date of recording until paid.

§ 3267. C-PACE Assessment and Lien

(a) The C-PACE lien shall: (1) Be inferior to all tax liens and superior to all non-tax liens from the date of recording until paid. (2) Run with the land, and future assessments not yet due shall not be eliminated by foreclosure of a tax or other lien. (3) Not be contested on the basis that the improvement is not qualified or for procedural irregularities. (4) For leaseholds, be levied on the leasehold interest with consent of the property owner, including on publicly-owned land. (b) No municipal funds shall be used to fund or repay any C-PACE assessment.

§ 3268. Financing

(a) C-PACE financing may include: (1) Costs of materials and labor for qualifying improvements. (2) Permit, inspection, financing, application, and administrative fees. (3) Project development and engineering fees. (4) Capitalized interest, as agreed by the property owner and capital provider. (b) The term of financing shall not exceed the weighted average useful life of qualifying improvements. (c) The total financing amount shall not exceed 35% of the property's stabilized value with improvements installed. (d) Financing agreements shall be negotiated between the property owner and **a C-PACE qualified lender**, including all repayment terms.

§ 3269. Lender Consent

(a) Prior to entering an assessment agreement, the property owner must submit a written statement from each holder of a mortgage or lien on the property, consenting to the C-PACE assessment and confirming it does not constitute a default under existing loan terms.

§ 3270. Purchases and Contracts

(a) Property owners may: (1) Directly purchase equipment and materials for qualifying improvements. (2) Contract directly, including through leases or service contracts, for installation or modification of qualifying improvements.

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 Based on Request

1. **Removal of "R" Designation**:
    - Changed all references from "C-PACE-R" to "C-PACE" throughout the bill (e.g., **§ 3261(a)**, **§ 3262**, **§ 3263**, etc.) to eliminate confusion that "R" stands for "Residential," clarifying that the program is for commercial properties only.

    - Retained **resiliency measures** as a qualifying improvement category in **§ 3262(9)(g)**, as previously requested, to ensure the program includes storm retrofits, flood mitigation, and other resilience-focused projects, but without the "R" designation to avoid misinterpretation.
2. **Reinforced Commercial-Only Focus**:
    - Strengthened language in **§ 3261(b)** and **§ 3262(8)** to explicitly state that the program is for commercial building owners, including those with multifamily residential properties (five or more units), and excludes single-family residential properties owned or occupied by private individuals for personal use.
    - Maintained this exclusion in **§ 3264(a)(4)(d)**, requiring property owners to certify ownership of a qualifying commercial property.

Retention of Previous Requirements

- **Three-Year Look-Back Period**: Preserved in **§ 3262(9)** and **§ 3264(a)(1)(e)** and **(a)(3)(a)**, allowing improvements completed within three years to qualify.
- **C-PACE Qualified Lenders**: Retained in **§ 3262(1)**, **§ 3262(5)**, **§ 3264(a)(1)(f)**, **§ 3264(a)(8)**, and **§ 3268(d)**, ensuring the toolkit includes lender-provided tools (e.g., financing templates, underwriting guidelines, repayment calculators) and a list of qualified lenders is maintained.
- **No Municipal Indebtedness**: Preserved in **§ 3262(3)** and **§ 3267(b)**, emphasizing private financing with no municipal financial involvement.
- **Exclusion of Department of Financial Regulation**: Maintained, with underwriting handled by C-PACE qualified lenders and technical reviews by the statewide administrator in **§ 3264(a)(3)(a)**.
- **Defined Improvement Categories**: Kept 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**: Retained in **§ 3261(c)(4)** and **§ 3262(9)(a)**, highlighting cogeneration's high efficiency (91–93%), grid demand reduction, and CO2-negative potential.
- **North Carolina Best Practices**: Preserved the statewide framework, private financing model, liability protections, and standardized toolkit, tailored to Vermont's municipal governance structure.

Rationale for Changes

- **Removal of "R" Designation**: Eliminating the "R" from C-PACE-R ensures clarity that the program is not for residential use in the context of single-family homes, addressing the concern that "R" could be misinterpreted as "Residential." The retention of resiliency measures ensures the program still supports disaster-resistant improvements, as previously requested, without the confusing designation.
- **Commercial-Only Focus**: The explicit exclusion of single-family residential properties for private individuals, reinforced across multiple sections, aligns with

the request to limit the program to commercial properties while allowing multifamily properties (five or more units) to qualify, as they are considered commercial in nature.

- **Preservation of Prior Enhancements**: Maintaining the three-year look-back, qualified lender tools, private financing, and defined improvement categories (including cogeneration) ensures the bill remains robust, efficient, and aligned with the previous notes' emphasis on high-efficiency, practical solutions.
- **Vermont Context**: The municipal voter approval process is retained to respect Vermont's local governance structure, while the centralized administration via VEDA and the toolkit ensures scalability and consistency.

This revised C-PACE bill creates a clear, commercial-only program for Vermont, emphasizing private financing, high-efficiency improvements like cogeneration, and resiliency, while incorporating tools from qualified lenders and maintaining strict eligibility criteria.