

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Energy and Digital Infrastructure to which was referred
3 Senate Bill No. 138 entitled “An act relating to commercial property-assessed
4 clean energy” respectfully reports that it has considered the same and
5 recommends that the House propose to the Senate that the bill be amended by
6 striking out all after the enacting clause and inserting in lieu thereof the
7 following:

8 Sec. 1. 24 V.S.A. chapter 87, subchapter 3 is added to read:

9 Subchapter 3. Commercial Property-Assessed Clean Energy
10 § 3275. COMMERCIAL PROPERTY-ASSESSED CLEAN ENERGY
11 DISTRICTS; APPROVAL OF LEGISLATIVE BODY

12 (a) The legislative body of a town, city, or incorporated village may vote to
13 designate the municipality as a commercial property-assessed clean energy
14 district or C-PACE district. In a district, only those property owners who have
15 entered into written agreements with the municipality under section 3276 of
16 this title would be subject to a special assessment, as set forth in section 3255
17 of this title.

18 (b) Upon a vote of approval by a majority of the legislative body of the
19 municipality voting at a duly warned meeting, the municipality shall allow for
20 the imposition of a special assessment to secure private financing for property
21 owners of commercial or industrial buildings within the boundaries of the

1 municipality for renewable energy projects as defined in 30 V.S.A. § 8002(17),
2 energy efficiency projects as defined by section 3267 of this title, water
3 conservation projects, and resiliency improvement projects.

4 (c) As used in this subchapter:

5 (1) “Commercial or industrial building” means any building other than a
6 residential dwelling with fewer than five units.

7 (2) “District” means a commercial property-assessed clean energy
8 district which includes the entire municipality.

9 (3) “Resilience” means the ability of interconnected ecological, social,
10 physical, and economic systems to anticipate, adapt, withstand, respond, and
11 thrive in the face of current and future conditions and disasters.

12 (4) “Resiliency improvement” means improvements that increase the
13 resilience of a property, including air quality, stormwater infrastructure
14 improvements, snow and flood mitigation, energy storage and microgrids,
15 alternative vehicle charging infrastructure, and fire and wind resistance.

16 (5) “Water conservation improvement” means measures, equipment, or
17 devices that decrease the consumption of or demand for water, address safe
18 drinking water, or eliminate lead from water used for drinking or cooking.

1 § 3276. WRITTEN AGREEMENTS; CONSENT OF PROPERTY

2 OWNERS; ENERGY SAVINGS ANALYSIS; LENDER CONSENT

3 (a) Upon an affirmative vote made pursuant to section 3275 of this title and
4 the performance of an analysis pursuant to subsection (b) of this section, an
5 owner of a commercial or industrial building, within the boundaries of a
6 district, may enter into a written agreement with the municipality that shall
7 constitute the owner’s consent to be subject to a special assessment, as set forth
8 in section 3255 of this title. Entry into such an agreement may occur only after
9 January 1, 2027.

10 (b) Prior to entering into a written agreement, a property owner shall have
11 an analysis performed that includes the following components:

12 (1) where energy or water usage improvements are proposed, an energy
13 analysis by a licensed professional engineer or engineering firm stating that the
14 proposed qualified improvements will either result in more efficient use or
15 conservation of energy or water, the reduction of greenhouse gas emissions, or
16 the addition of renewable sources of energy or water;

17 (2) where renewable energy is proposed, an engineering study showing
18 that the improvements are feasible;

19 (3) where resiliency improvements are proposed, certification by a
20 licensed professional engineer stating that the qualified improvements will

1 result in improved resilience in accordance with local, State, or nationally
2 recognized building standards; or

3 (4) for new construction, certification by a licensed professional
4 engineer or engineering firm stating that the proposed qualified improvements
5 will enable the project to meet or exceed the energy efficiency or water
6 efficiency or renewable energy or water usage requirements of the current
7 building code.

8 (c) A written agreement shall provide that:

9 (1) The length of time allowed for the property owner to repay the
10 assessment shall not exceed the life expectancy of the project. In instances
11 where multiple projects have been installed, the length of time shall not exceed
12 the average lifetime of all projects, weighted by cost.

13 (2) Notwithstanding any other provision of law:

14 (A) A lien under this section:

15 (i) is a first and prior lien on the property, subordinate only to a
16 lien for property taxes, from the date on which the notice of special assessment
17 is recorded until the assessment, interest, or penalty is paid; and

18 (ii) runs with the land, and that portion of the assessment under the
19 assessment contract that is not yet due shall not be accelerated or extinguished
20 by foreclosure of a property tax lien or any other foreclosure.

1 (B) In the event of a foreclosure action, all payments on an
2 assessment under this subchapter that are due and unpaid as of the date the
3 action is filed, and all payments on the assessment that become due after that
4 date and that accrue up to and including the date title to the property is
5 transferred to the mortgage holder, the lien holder, or a third party in the
6 foreclosure action shall be paid in order for title to transfer.

7 (3) A capital provider shall disclose to participating property owners
8 each of the following:

9 (A) the risks associated with participating in the program, including
10 risks related to the failure of participating property owners to make payments
11 and the risk of foreclosure; and

12 (B) the provisions of subsection (h) of this section that pertain to
13 prepayment of the assessment.

14 (d) The notice of an agreement shall include at least each of the following:

15 (1) the name of the property owner as grantor;

16 (2) the name of the municipality as grantee;

17 (3) the date of the agreement;

18 (4) a legal description of the real property against which the assessment
19 is made pursuant to the agreement;

20 (5) the amount of the assessment and the period during which the
21 assessment will be made on the property;

1 (6) a statement that the assessment will remain a lien on the property
2 until paid in full or released; and

3 (7) the location at which the original agreement may be examined.

4 (e) Prior to entering into the written assessment contract, the property
5 owner shall obtain and furnish to the municipality a written statement,
6 executed by each holder of a mortgage or deed of trust on the property
7 securing indebtedness, in their sole and absolute discretion, that consents to the
8 assessment and indicates that the assessment does not constitute an event of
9 default under the mortgage or deed of trust.

10 (f) The combined amount of the assessment plus any outstanding mortgage
11 obligations for the property shall not exceed 90 percent of the appraised value,
12 the as-completed appraised value, or the stabilized value of that property.

13 (g) With respect to an agreement under this section:

14 (1) the assessments to be repaid under the agreement, when calculated
15 as if they were the repayment of a loan, shall not violate 9 V.S.A. §§ 41a, 43,
16 44, and 46–50; and

17 (2) the maximum length of time for the owner to repay the assessment
18 shall not exceed 30 years.

19 (h) For projects under subchapter 2 of this chapter, there shall be no penalty
20 or premium for prepayment of the outstanding balance of an assessment under
21 this subchapter if the balance is prepaid in full. Projects under this subchapter

1 3 are not subject to these provisions, but shall be determined by the private
2 agreement for financing of improvements.

3 (i) Property may be eligible for financing if otherwise qualified
4 improvements were completed and operational not more than 36 months prior
5 to submission of the application to the Program. Waivers to the 36-month
6 requirement may be granted in the sole discretion of the program
7 administrator.

8 § 3277. PROGRAM ADMINISTRATORS

9 (a) C-PACE Program administration.

10 (1) An entity that administers the commercial property-assessed clean
11 energy program or C-PACE Program under this subchapter shall be referred to
12 as a program administrator. A municipality, a public agency, or a private
13 entity may serve as a program administrator. However, a capital provider or
14 lender shall not serve as a program administrator in a municipality where it is
15 also lending.

16 (2) A municipality that has adopted a C-PACE district may:

17 (A) enter into a contract with an entity to serve as the program
18 administrator and to administer the functions of the C-PACE Program for the
19 municipality; or

20 (B) serve as the program administrator itself, to administer the
21 functions of a C-PACE Program, including entering into C-PACE agreements

1 with commercial property owners in its jurisdiction and collecting C-PACE
2 assessments.

3 (b) An entity may:

4 (1) enter into a contract with a C-PACE municipality where the entity
5 shall serve as the program administrator in the municipality; and

6 (2) collect fees necessary to administer the C-PACE Program.

7 (c) Other than the fulfillment of its obligations specified in a C-PACE
8 agreement, neither the program administrator nor a municipality has any
9 liability to a commercial property owner for or related to energy savings or
10 resilience improvements financed under a C-PACE Program.

11 (d) The Department of Financial Regulation shall consult with relevant
12 stakeholders, including the Vermont League of Cities and Towns, the Vermont
13 Economic Development Authority, Efficiency Vermont, the Vermont
14 Economic Progress Council, the regional development corporations, and
15 agencies from other States with C-PACE programs, in order to identify
16 appropriate entities to serve as program administrators. On or before
17 December 15, 2026, the Department shall submit a report on recommended
18 program administrators to the House Committees on Commerce and Economic
19 Development and on Energy and Digital Infrastructure and the Senate
20 Committee on Natural Resources and Energy.

1 Sec. 2. 24 V.S.A. § 3263 is amended to read:

2 § 3263. COSTS OF OPERATION OF DISTRICT

3 The owners of real property who have entered into written agreements with
4 the municipality under section 3262 of this title shall be obligated to cover the
5 costs of operating the district. A municipality may use other available funds to
6 operate the district. A municipality may charge fees to cover the operation of
7 the C-PACE Program under subchapter 3 of this chapter.

8 Sec. 3. 24 V.S.A. § 3264 is amended to read:

9 § 3264. RIGHTS OF PROPERTY OWNERS

10 A property owner who has entered into a written agreement with the
11 municipality under section 3262 or section 3276 of this title may enter into a
12 private agreement for the installation or construction of a project relating to
13 renewable energy, as defined in 30 V.S.A. § 8002(17), or relating to energy
14 efficiency as defined in section 3267 of this title.

15 Sec. 4. 24 V.S.A. § 3265 is amended to read:

16 § 3265. LIABILITY OF MUNICIPALITY

17 (a) A municipality that incurs indebtedness for or otherwise finances
18 projects under this subchapter shall not be liable for the failure of performance
19 of a project.

20 (b) A municipality that incurs indebtedness for bonding under this
21 subchapter shall pledge the full faith and credit of the municipality.

1 (c) A municipality that enters into a written agreement with a property
2 owner under subchapter 3 of this chapter shall not incur any indebtedness or
3 otherwise finance projects under this chapter, nor shall be liable for the failure
4 of the performance of a project, nor pledge the full faith and credit of the
5 municipality.

6 Sec. 5. 24 V.S.A. § 3268 is amended to read:

7 § 3268. RELEASE OF LIEN

8 (a) A municipality shall release a participating property owner of the lien
9 on the property against which the assessment under this subchapter or
10 subchapter 3 of this chapter is made upon full payment of the value of the
11 assessment.

12 (b) Notice of a release of a lien for an assessment under this subchapter or
13 subchapter 3 of this chapter shall be filed with the clerk of the applicable
14 municipality for recording in the land records of that municipality.

15 Sec. 6. 24 V.S.A. § 3255 is amended to read:

16 § 3255. COLLECTION OF ASSESSMENTS; LIENS

17 (a) Special assessments under this chapter shall constitute a lien on the
18 property against which the assessment is made in the same manner and to the
19 same extent as taxes assessed on the grand list of a municipality, and all
20 procedures and remedies for the collection of taxes shall apply to special
21 assessments.

1 (b) Notwithstanding subsection (a) of this section, a lien for an assessment
2 under subchapter 2 of this chapter shall be subordinate to all liens on the
3 property in existence at the time the lien for the assessment is filed on the land
4 records, shall be subordinate to a first mortgage on the property recorded after
5 such filing, and shall be superior to any other lien on the property recorded
6 after such filing. In no way shall this subsection affect the status or priority of
7 any municipal lien other than a lien for an assessment under subchapter 2 of
8 this chapter. A lien for an assessment under subchapter 3 of this chapter shall
9 be exempt from the provisions of this section and, upon receipt of consent
10 from lenders, pursuant to subsection 3276(e) of this title, shall not be
11 subordinate to all liens on the property in existence at the time the lien for the
12 assessment is filed on the land records.

13 Sec. 7. 9 V.S.A. § 46 is amended to read:

14 § 46. EXCEPTIONS

15 Section 43 of this title, relating to deposit requirements, and section 45 of
16 this title, relating to prepayment penalties, shall not apply and the parties may
17 contract for a rate of interest in excess of the rate provided in section 41a of
18 this title in the case of:

19 (1) obligations of corporations, including municipal and nonprofit
20 corporations; ~~or~~

1 (2) obligations incurred by any person, partnership, association, or other
2 entity to finance in whole or in part income-producing business or activity, but
3 not including obligations incurred to finance family dwellings of four units or
4 fewer when used as a residence by the borrower or to finance real estate that is
5 devoted to agricultural purposes as part of an operating farming unit when used
6 as a residence by the borrower; ~~or~~

7 (3) obligations to finance the purchase, construction, or improvement of
8 property for seasonal or part-time occupancy and not as a place of legal
9 residence; ~~or~~

10 (4) obligations guaranteed or insured by the United States of America or
11 any agency thereof; or

12 (5) obligations incurred for commercial property-assessed clean energy
13 projects pursuant to 24 V.S.A. chapter 87, subchapter 3.

14 Sec. 8. EFFECTIVE DATE

15 This act shall take effect on July 1, 2026.

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1 (Committee vote: _____)

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Representative _____

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FOR THE COMMITTEE