

Vermont's Property Assessed Clean Energy (PACE) program

There is a new program available to help Vermonters invest in energy efficiency and renewable energy projects for their homes and businesses. The Vermont Energy Act of 2009, which recently became law in Vermont, includes a provision that allows for the creation of Property Assessed Clean Energy, or PACE, programs. This is a concept that has been successfully implemented in California, New York and Colorado, and is being considered in many other locations around the country.

Vermonters know that investing in energy efficiency and renewable energy improvements is good for the environment as well as financially beneficial over time. Vermont policymakers have an interest in encouraging these investments, because they help meet not only greenhouse gas emissions reduction targets, but also the aggressive building energy efficiency goals established in Vermont statutes.

One major barrier to making these investments is a lack of sufficient upfront capital. For property owners who don't have the cash to make these investments in major energy improvements, there are few options available that have the necessary combination of easy qualification, attractive interest rate, and a relatively long repayment term.

PACE is a voluntary mechanism allowing individuals wishing to make eligible energy improvements to opt in to a special assessment district created by their municipality. Energy efficiency and/or renewable energy improvements are funded by taxable municipal bonds or other municipal debt, repaid over up to 20 years. All improvement work must be performed by appropriately qualified and licensed contractors and must be approved by an energy efficiency utility.

Key Provisions of PACE

- Enables municipalities to create and secure debt for a PACE program if they choose, and to secure funding to pay for energy efficiency and renewable energy projects
- Participating municipalities can join together to obtain funding more cost effectively
- Participating property owners pay for the benefit over up to 20 years through a special assessment charged as a new line item on their property tax bills
- The maximum amount that can be financed is 15% of the assessed value of the property, capped at \$30,000 for residential properties up to 4 units. The total amount financed by PACE plus any outstanding mortgages on the property cannot exceed 90% of the assessed value.

Benefits for Vermont Property Owners

- Overcomes a key financial hurdle for making investments in energy efficiency and renewable energy.
- Incremental special assessment payments are low and fixed for up to 20 years, with no upfront cost, and there are no costs to property owners who do not participate.
- Special assessment fees transfer to the new owner when the property is sold, or assessment obligation can be paid in full at transfer.
- Electricity and fuel bills are lower than they would be without the improvements, and the property owner is helping to reduce greenhouse gas emissions.

Benefits to Vermont Cities and Towns

- Cities and towns can use PACE to become more self-reliant and energy efficient and contribute to meeting community sustainability, climate, and energy goals.
- Cities and towns can provide a valuable public service to the members of their community.

Benefits to Vermont's Economy

The implementation of PACE

- Could inject millions of dollars directly into the Vermont economy to make lasting energy and building infrastructure improvements
- Would provide a steady and growing demand for energy efficiency installers, as well as installers of small scale renewable energy systems
- Helps to establish a steady and predictable demand for energy efficiency and renewable energy products, helping suppliers and retailers expand their businesses

Next Steps

- The implementation of PACE in each municipality requires a public vote
- Prior to Town Meeting Day, March 2, 2010, municipalities will need to hold meetings with interested parties, and have public meetings to educate voters
- Each municipality will have to make decisions about the parameters of their particular program.
- Efficiency Vermont and the Vermont League of Cities and Towns will provide support and model documents to assist in the implementation.