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Vermont speeds up the PACE on energy efficiency

by Howard Weiss-Tisman

WESTMINSTER -- Early next year, Vermont will become the only state in the country to move ahead with a national program that allows property owners to borrow money against their tax assessments to fund energy efficiency projects.

The Property Assessed Clean Energy Program, or PACE, gives property owners access to low interest loans to pay for energy efficiency projects by pegging the money to the property tax assessments. The money is paid back through the tax payments, and so the loans stay with the properties, if the home is sold. The program was put on hold across the country in July 2010 after the Federal Housing Finance Agency, which writes about half the mortgages in the nation, said it would not accept mortgages with the PACE program attached to them.

FHFA saw the PACE program as one more problem in an ever widening housing crisis across the nation, and their ruling effectively shut the program down. During the 2011 legislative session Vermont lawmakers were able to write a bill that satisfied all of the concerns of the federal housing lending agency.

Peter Adamczyk, Energy Finance and Development Manager at the Vermont Energy Investment Corporation, said he has received verification from FHFA that the Vermont bill is acceptable, and Adamczyk is working with towns across the state to get the program back on track.

Before property owners can access the funding, towns must vote to approve the energy districts. So far 13 towns have already voted for the districts, including Putney, Halifax, Marlboro and Westminster in Windham County. Another 40 have begun discussions, and Adamczyk said the new law should help property owners begin to access the money for energy efficiency projects.

"This program is very much alive," Adamczyk said. "The legislation addresses all of the issues and Vermonters should soon be able to access money for energy efficiency projects at reasonable costs."

The changes take effect on Jan. 1, 2012. FHFA was concerned that the PACE program gave the energy efficiency grants senior status on the property liens, and so the Vermont legislation moved it down to junior status. This means that other lenders, primarily the banks, would be paid first if the mortgage goes into default.

The Vermont legislation also sets up two different funds to back the loans up. Property owners who take part in the program now have to pay a one-time 2 percent fee on their loan, that will help to build up a reserve fund. And the State Treasurer will control a fund that is backed up with money from the state's Regional Greenhouse Gas Initiative. The two funds, Adamczyk said, will help cover 90 percent of any losses due to defaults, though he said Vermont homeowners are unlikely to default anyway.

"Vermont is the only state that made these modifications and is now in compliance," Adamczyk said. "Once this money starts flowing it will make a big impact and make a real difference."

The bill was originally written to address the PACE issues, but was later folded into the larger energy bill that passed the Legislature in the final days of the session. Rep. Sarah Edwards, P-Brattleboro, and a member of the Natural Resources and Energy Committee, co-sponsored the original bill.

"This is another tool we have to get the state on the road toward more energy efficiency," said Edwards. "Property owners will be able capitalize improvements that they might not otherwise be able to do."

And Rep. Michael Mrowicki, D-Putney, who also co-sponsored the bill, said people in Putney have been waiting to put the PACE program to use. Along with funding projects that will conserve energy, the money will also go toward local jobs, which Mrowicki said made it very attractive to Vermont lawmakers.

"The most important part of this is it makes the money available more sooner than later," Mrowicki said. "A lot of people wanted this and they were disappointed when the program was held up. It feels great that Vermont was able to figure out a way to do this."