



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: C-PACE Program.
Bill Number: Senate Bill 802 (Third Edition)
Sponsor(s): Sen. Todd Johnson, Sen. Michael A. Lazzara, and Sen. Michael V. Lee

SUMMARY TABLE

FISCAL IMPACT OF S.B.802, V.3

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
Local Impact					
Local Revenue				Unknown	
Less Local Expenditures				Unknown	

NET LOCAL IMPACT	No Fiscal Impact-See Fiscal Analysis Section
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FISCAL IMPACT SUMMARY

S.B. 802, C-PACE Program, establishes a statewide Commercial Property Assessed Capital Expenditure (C-PACE) program. The program would be administered by the Economic Development Partnership of NC (EDPNC), and local governments would opt in to participate.

Section 1 of the bill requires EDPNC to impose fees to offset the costs of administering the C-PACE program, and further requires EDPNC to reimburse participating local governments for the costs of participating. This analysis assumes that the imposed fees will cover the costs of administering the program for EDPNC and the participating local governments.

FISCAL ANALYSIS

Background

S.B. 802, C-PACE Program, establishes a statewide Commercial Property Assessed Capital Expenditure (C-PACE) program.¹ The C-PACE program utilizes property assessments to repay nonpublic financing of qualifying commercial building improvements including energy efficiency, water conservation, renewable energy, and resilience projects.² The program would be

¹ As of 2022, the U.S. Environmental Protection Agency reports that more than 38 states and the District of Columbia have C-PACE-enabling legislation, and 30 states and the District of Columbia have active programs. They also report that there has been more than \$4 billion in investment in over 2,900 commercial projects as of 2022.

² The total amount of financing for the qualifying improvement secured by the property cannot exceed 35% of the property's value.

administered by the Economic Development Partnership of NC (EDPNC), and local governments would opt in to participate.

Program

C-PACE is a form of financing that allows a private property owner, such as the owner of an office building or apartment complex, to pay for property improvements intended to promote energy efficiency, water conservation, renewable energy, and resilience through a property assessment. Under the structure proposed in S.B. 802, the program would function as follows:

- EDPNC creates a toolkit outlining guidelines for C-PACE agreements.
- Local governments opt into the program.
- A property owner in a participating local government district applies to EDPNC, the program administrator.
- EDPNC approves the project.
- A third-party financier provides the capital for the project.
- The property owner uses the third-party financing to pay for the property improvements.
- The property owner repays the third-party financier via a special assessment on the property.
- The local government collects the special assessment and remits it to the financier.

C-PACE programs require state and local authorization. Local programs cannot be established without some form of state authorization.

EDPNC is a private non-profit organization in a public-private partnership with the State of North Carolina through a contract with the Department of Commerce and would serve as the program administrator. EDPNC would be responsible for preparing a C-PACE toolkit including the program guidelines, application approval criteria, and forms the participating local governments, property owners, and private lenders would use in the program. In addition, EDPNC would impose fees to offset the actual and reasonable costs of administering the program; establish the process for reviewing and evaluating program applications; and accept and approve applications.

Participating local governments would assign to the private lender the right to receive the proceeds of assessment repayments. The local government would delegate all assessment-related billing, collection, and enforcement duties to the private lender. Local governments would also assume responsibility for administrative tasks relating to the program but would be reimbursed for those expenses.

Fiscal Impact

EDPNC is directed to charge an application fee of not more than \$750 and a processing fee of 1% (up to \$25,000) of the total amount financed for property owners with successful applications. The bill further requires EDPNC to reimburse participating local governments for their actual and reasonable costs of administering the program. FRD assumes that the application and processing fees will cover the costs of administering the C-PACE program. Thus, FRD expects this portion of Section 1 relating to local governments' administrative expenses to have no fiscal impact.³

³ Furthermore, the bill's proposed G.S. 160A-239.16 states "a local government shall not be financially or legally liable or responsible for any assessment and lien imposed within its jurisdiction under the program."

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Local Government Commission. N.C. Department of Revenue. U.S. Environmental Protection Agency.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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