



New Jersey PACE Program: Job Growth And Economic Development through Game-Changing Clean Energy Financing

MUNICIPALITIES

Municipalities can help businesses save money on energy while creating local jobs

Energy is often a business's single biggest cost, after labor. Now, NJ municipalities can retain businesses and attract new ratables by helping property owners cut their energy bills by an average of 30%.

In 2012, New Jersey passed legislation (P.L. 2011, Ch. 187) enabling a municipality to establish a Property Assessed Clean Energy or "PACE" program—a game-changing financing model that allows commercial, industrial, and nonprofit building owners to finance energy efficiency improvements and renewable energy projects.

Over 30 states have passed similar PACE legislation. More than \$150 million in PACE financing has been completed and billions of dollars in clean energy upgrades are still needed. And since energy projects require on-site implementation, economic development and job creation are natural outcomes.

How does PACE financing work?

The municipal tax mechanism is the key to accessing the benefits of PACE.

Under PACE, property owners can upgrade their energy systems and finance 100% of the improvements through private investment in an off-balance sheet transaction that is cash flow positive from the start.

A property owner asks the municipality to place a voluntary "Clean Energy Special Assessment" on their property, and pays it off on their tax bill for up to 20 years. The repayment obligation transfers automatically to the next owner if the property is sold. Because the payment is tied to the property tax mechanism, even owners that lack strong credit ratings can obtain low cost capital from private investors.

NJPACE administers PACE in Municipalities

A NJ 501c3 nonprofit, **New Jersey PACE (NJPACE)**, administers a state-wide open-market PACE program, assisting municipalities, property owners, private investors and contractors in facilitating PACE funding transactions. While our services are customized to the needs and opportunities of each municipality, we have developed best practices from programs in other states, including standardized forms and procedures designed to work across NJ's many municipalities; this helps owners who expect to take advantage of PACE financing in multiple municipalities.

A municipality passes an Ordinance to establish a PACE program, and appoints **NJPACE** an administrator of the program. The municipality's reasonable project-related costs are reimbursable and included in the financing of projects, so there is no cost to taxpayers.

Benefits to Municipalities

- Municipalities retain and attract businesses that want capital improvements without the expense.
- Communities get an economic development tool, creating local jobs and investments.
- Green teams that have made commitments to sustainability, including reducing energy use and pollution have a new tool to achieve these goals.

Coupled with downtown revitalization programs (e.g., Main Street), **NJPACE** can provide the capital to upgrade retail stores, multi-use and rental properties (over 6 units), and church and other nonprofit buildings, as well as financing to help restore blighted commercial and industrial areas and "white elephant" office parks.

Our internal estimates suggest that PACE may provide up to \$2 billion in additional investment in New Jersey commercial real estate over the next decade.

What types of upgrades are eligible?

- High efficiency lighting
- Heating ventilation air conditioning (HVAC) upgrades
- High efficiency chillers, boilers, furnaces, water heating systems
- Building enclosure/envelope improvements
- Building automation (energy management) systems
- Renewable energy systems (solar, CHP, wind, etc.)

See NewJerseyPACE.org for a complete list.

What does PACE cost the municipality?

Because **NJPACE** utilizes the municipalities' existing method of collecting tax payments, **NJPACE** expects added costs to be minimal, and reimburses the municipality's costs for processing the assessments.

Does NJPACE assist municipalities in marketing the program to owners?

NJPACE works with municipalities that have opted-in to the **NJPACE** program to market the program to building owners. **NJPACE** provides municipalities with marketing material and assists in getting the word out through local, regional and state business and professional associations as well as media outlets.

What are the risks to the municipality?

A municipality is responsible for collecting PACE assessments, but is not responsible for guaranteeing their collection. The municipality must ensure that PACE assessments are separately accounted for and cannot be utilized for any other purposes. As owners make payments, the municipality passes on these payments to the Trustees of the funding source of PACE-assessed properties. If a building owner is deficient or delinquent on their PACE assessment, the municipality is not responsible for any deficiency or delinquency. In the case of a non-payment, the funding source for a PACE assessment can take assignment of the lien and begin collection processes. **NJPACE** can provide the municipality with the appropriate draft legal documents.

Can municipalities use PACE assessments?

PACE funds cannot be commingled with municipality funds. The municipality will place the PACE assessment in a separate account pursuant to the legal agreement executed with each municipality, and the municipality has a fixed window by which they must remit the funds to the funding source for a particular PACE assessment.

What happens in the event of non-payment, or a bankruptcy?

Municipal liens related to real property have first priority in allocating recovery money, followed by PACE payments *in arrears*. The special assessment only becomes a lien in the event of non-payment and, like any other assessment, payments are non-accelerating in the case of a default. The municipality is not required to pay any delinquent PACE assessments, but is responsible for remitting those amounts that are recovered when the building is sold or passes through a tax sale.

How does a municipality opt in to NJPACE?

Under the law, the municipality passes an Ordinance establishing a PACE program which allows it to create a class of "Clean Energy Special Assessments" to finance public benefit projects on private property. It may also issue bonds, or apply to a County Improvement Authority for bonds, to finance the program.

The municipality signs a Participation Agreement, authorizing **NJPACE** to act as an administrator and to submit approved projects for the assessment program.

While property owners are welcome to find their own financing, an affiliated entity, NJ PACE LLC, will arrange low-cost interim and/or long-term financing as required.

Contact us to discuss how your municipality can take advantage of PACE.

NJPACE

NewJerseyPACE.org
A NJ 501c3 Nonprofit

Learn more at NewJerseyPACE.org or call us today:

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