

# NJPACE: Participation in Financing Renewables and Energy Efficiency Non-Residential Projects in New Jersey

## Lenders & Investors

### Expressions of Interest for Funding

NJPACE is seeking expressions of interest from qualified lenders and investors in financing PACE assessments. Also sometimes called “liens,” PACE assessments offer the long-term security of repayment through the municipal tax system.

#### What is PACE?

Property Assessed Clean Energy (PACE) is an innovative way to finance energy efficiency and renewable energy upgrades to buildings. Interested property owners evaluate measures that achieve energy savings and receive 100% financing, repaid as a property tax assessment for up to 20 years. The assessment mechanism has been used nationwide for decades to access low-cost long-term capital to finance improvements to private property that meet a public purpose. By eliminating upfront costs, providing low-cost long-term financing and making it easy for building owners to transfer repayment obligations to a new owner upon sale, PACE overcomes challenges that have hindered adoption of energy efficiency and related projects in our nation’s buildings.

(Source: <http://pacenow.org/about-pace/>)

**New Jersey PACE** is a 501c3 nonprofit dedicated to facilitating fully-vetted energy efficiency and renewable energy projects for commercial, industrial, institutional, and multifamily properties throughout the state of New Jersey.

### What Improvements are Covered?

- Solar, Wind, Geothermal
- Approved Energy Conservation Measures
- Building Envelope Improvements
- Smart Microgrids, CHP, and Storage
- *Resiliency and water conservation may also be covered in the future*

(A complete list of eligible measures is available at [NewJerseyPACE.org](http://NewJerseyPACE.org).)

### A New Asset Class

Clean Energy Special Assessment Certificates for 10-, 15-, and 20-year terms for approved projects in new construction and retrofits for non-residential properties, based on uniform, statewide standards represent an emerging class of A-level securities.

### Why PACE Appeals to Owners

- Off-balance-sheet financing up to 20 years or more for both EE and RE projects
- 100% financing, no money down, market rates,
- no size limits
- Typically cash flow positive from start
- Repayment obligation transfers to new owner on sale
- Tax incentives, SRECs, MACRS belong to owner
- Increases net operating income and asset value
- Costs and savings can be shared with tenants

Benefits to Owners	PPA*	NJPACE
Financing Costs	High	Low
Tax Incentives	No	Yes
SREC Revenue	No	Yes
Transfer on Property Sale	Maybe	Yes
Increased Property Value	No	Yes
Tenants Share Costs/Benefits?	Some	Yes
Depreciation	No	Yes
All contractors?	No	Yes

\*Power Purchase Agreement

# PACE PROJECT EXAMPLE

30 Year Old,  
200,000 ft<sup>2</sup>  
office building

**Estimated Project  
cost \$540,000**



**\$845,000 Increase  
in Building Value  
(5%)**

One Main Street	Before PACE	After PACE
<b>Revenue</b>		
Rental Income/yr.	2,735,000	2,735,000
<b>Total Revenue</b>	<b>2,735,000</b>	<b>2,735,000</b>
<b>Expenses</b>		
Property Taxes/yr.	515,000	515,000
PACE Assessment/yr. (1)		49,658
Energy Costs/yr.	330,000	221,100
Other Expenses/yr.	705,000	705,000
<b>Total Expense</b>	<b>1,550,000</b>	<b>1,490,758</b>
<b>Net Operating Income (NOI)</b>	<b>1,185,000</b>	<b>1,244,242</b>
<b>Energy-Related Savings</b>		<b>108,900</b>
<b>Property Value@7% Cap Rate (2)</b>	<b>16,930,000</b>	<b>17,774,892</b>
<b>Increase in Property Value</b>		<b>844,892</b>

**NOTES:**

(1) Annual assessment cost is based on a 20-year amortization at 6.85%

(2) "Cap rate" is the ratio between the net operating income produced by an asset and its market value

## Special Treatment for Solar

Solar projects are typically "fast-tracked" for approval. Financing can cover up to 100% of project costs, including fees, for terms of 20 years or longer. Incentives remain with the owner. Tax equity financing can also be made available as part of the PACE program, and NJPACE is currently seeking tax equity partners for numerous projects in the pipeline.

PACE compares favorably against PPAs or leasing, offering longer terms, better rates, and greater investor protection.

## About New Jersey PACE

NJPACE financing is based on P.L. 2011, Ch. 187, a state law that allows property owners to pay for energy efficiency and renewable energy projects through a Special Assessment attached to the property, not the owner, and repaid through the municipal tax mechanism.

**New Jersey PACE**, a 501c3 NJ nonprofit, administers this program through the cooperation of the owner, the contractor, and the municipality where the property is located.

Potential financing partners should contact:

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**NJPACE**

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A NJ 501c3 Nonprofit