



## New Jersey PACE Program: Job Growth and Economic Development through Clean Energy Financing

## COUNTY IMPROVEMENT AUTHORITIES

### Counties and County Improvement Authorities can help businesses save money on energy while creating local jobs

Property owners want to reduce their energy costs, and the public wants commercial and industrial properties to reduce their carbon emissions. But until now there hasn't been a cost effective way to finance clean energy improvements. Now, NJ counties and municipalities can retain businesses and attract new rates 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 municipalities to establish a Property Assessed Clean Energy or "PACE" program—a game-changing financing model that allows commercial, industrial, nonprofit and multifamily building owners to finance energy efficiency improvements and renewable energy projects. Communities may finance these programs using municipal revenue bonds or County Improvement Authority bonds.

Over 30 states have passed similar PACE legislation. More than \$350 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 with PACE.

### How does PACE financing work?

The municipal Special Assessment mechanism is the key to the benefits of PACE. 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 (based on the useful life of the improvement). The repayment obligation stays with the property when it's sold.

### How does PACE work in New Jersey?

New Jersey PACE (NJPACE) is a nonprofit Program Administrator that can assist counties and municipalities in setting up and running PACE programs.

NJPACE has been building public, business and governmental readiness for PACE in NJ for the past two years, and has recommended amending legislation to expand PACE to cover post-Sandy resiliency improvements.

We are a NJ 501c3 nonprofit established to administer a state-wide open-market PACE program. We work with municipalities, counties, property owners, private investors and contractors in facilitating PACE funding transactions. Our services are customized to the needs and opportunities of each county and municipality, based on best practices from the U.S. Department of Energy and PACE programs in other states.

Local PACE programs are established by municipal ordinance, subject to the approval of the Division of Local Government Services. The statute also states that County Improvement Authorities (CIAs) may provide bond financing for PACE.

A County or its CIA may choose to establish a PACE bond financing program on behalf of interested municipalities. This role may support the CIA's mandate for economic development, and may also include awareness-building, education and/or marketing the benefits of PACE.

### Benefits to counties

County Improvement Authorities can use their bonding programs to spur economic development through PACE. Local jobs are created by contractors upgrading the County's building stock and making the County more competitive for private investment and more attractive to its residents.

## Benefits to municipalities

- Municipalities retain and attract businesses that want capital improvements under favorable terms.
- Municipalities upgrade their building stock.
- Local jobs are created, since energy efficiency and renewables project involve on-site work.
- 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 NJ), **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 more than \$2 billion in additional investment in New Jersey over the next decade.

## What are county / municipality costs?

There is no cost to either the county or the municipality. As is customary with bond issues, issuance costs are included in the bonds and are paid by the projects over time. Municipalities are reimbursed for reasonable costs of processing the Clean Energy Special Assessments using their existing method of collecting tax payments. These costs are included in the financing for projects, so there is no cost to taxpayers.

## Who is at risk should a default occur?

If a building owner is deficient or delinquent on their PACE assessment, the municipality is not responsible for any deficiency or delinquency. Municipalities are responsible for collecting PACE assessments, but not responsible for guaranteeing their collection. Municipalities 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 Trustee of the funding source of PACE-assessed properties.

Municipal tax liens 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,

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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.

## What types of upgrades are eligible?

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

See [NewJerseyPACE.org](http://NewJerseyPACE.org) for a complete list.

## How does NJPACE assist counties and municipalities in marketing the program?

In conjunction with a county, **NJPACE** will work with municipalities that have adopted a PACE program to create program awareness, educate stakeholders, and market the program. We train contractors, involve local, regional and state business and professional associations, promote the program through the media and recognize property owners and public officials in public relations campaigns.

## How does a county enable PACE?

Under NJ law, it is the municipality that passes an ordinance establishing a PACE program, but the special role given to counties is the use of the County's Improvement Authority to act as a central financing arm for the municipal PACE program. Further, the County and/or its CIA can promote the local PACE programs through public support, staffing and marketing, as appropriate.

**Contact us to discuss how your County or County Improvement Authority can take advantage of PACE.**

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