



# Financing Breakthrough: New Jersey PACE

- Save money on building energy costs, immediately
- 100% off-balance-sheet financing, no upfront costs
- Transferable upon sale; costs can be prorated to tenants

## A New Financing Mechanism

PACE stands for “Property Assessed Clean Energy,” an innovative mechanism for financing energy efficiency and renewable energy improvements. Up to now, these projects required upfront capital and long payback periods. With PACE, clean energy projects are 100% financed with no upfront costs, and without adding to the property owner’s balance-sheet liability. Projects are designed to be cash-flow positive, saving money from the start. Repayment is through a Special Assessment on the municipal tax bill, making it non-acceleratable, non-recourse, and fully transferable on sale. Investment tax credits, solar renewable energy certificates (SRECs), and accelerated depreciation accrue to property owners.

**New Jersey PACE (NJPACE)**, a project of **Possible Planet**, a 501(c)(3) nonprofit, enables commercial, industrial, agricultural, multifamily, and non-profit property owners to access relatively low-cost private capital to enable these improvements.

Amending PACE legislation in New Jersey is expected to be signed into law in 2018, and will include flood, storm and water resiliency improvements under PACE.

## What makes PACE work?

- 100% financing, no upfront investment, “off-balance sheet” transaction, not dependent on owner's credit
- Amortization is based on useful life, up to 30 years, resulting in immediate positive cash flows
- Repayment becomes a "special assessment" attached to the property tax bill, providing security to investors
- Assessment can be shared with tenants who have triple net and modified gross leases
- Increases net operating income (NOI) and asset value
- If property is sold, obligation passes to new owner

## Eligible Clean Energy Improvements

- 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, wind, etc.)
- Cogeneration or combined heat and power (CHP)
- Smart micro grids, back-up systems, and storage

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

## Tenanted Buildings

Owners sometimes hesitate to make major energy improvements because the economic benefits typically accrue to tenants in triple-net lease arrangements. With PACE financing, both owners and tenants are benefited, overcoming the so-called split incentive problem.

Owners get building improvements and higher property values, while being able to pass on both energy savings and pro rata assessment payments to tenants. Major energy efficiency upgrades also generally provide more healthy and comfortable environments.

Both attraction and retention of tenants are increased, and building owners typically see an increase in NOI, net operating income.

Tenants seeking improvements can now make a compelling case to their landlords. PACE financing is widely seen as overcoming most, if not all of the barriers to implementing clean energy improvements.

## What types of buildings are eligible?

The property must be zoned commercial, industrial, agricultural, nonprofit, or multifamily (5 or more dwelling units), and have a property tax ID. All legal owners of the property must sign the financing application. The property must be current on property tax and assessment payments, and have no involuntary liens, defaults, or judgments. Where there is a mortgage, the owner must obtain mortgage lender consent. The building must be located in a municipality that has adopted an ordinance approving the **NJPACE** program.

## Hospitals and Health Care Centers

Both for-profit and nonprofit hospitals and nursing homes can take advantage of PACE financing to implement better storm/flood emergency and energy-independence improvements. Assessment-based investments provide immediate opportunities for energy savings, improved control and back-up systems, and on-site clean energy installations, including renewables and cogeneration. Tax equity investors may also be available in some cases.

## Multi-Family and Condominiums

Managed residential properties with 5 units or more can also qualify for financing through New Jersey PACE. In the past, individually-metered tenants were often the only beneficiaries of energy efficiency improvements, and landlords were reluctant to invest capital. Under PACE, building owners can implement upgrades with 100% financing and no upfront capital, making their buildings more competitive. Owners get tax credits, incentives, and accelerated depreciation provisions, where available, to offset their monthly assessments.

Condominiums pose special problems for clean energy systems, but PACE offers meaningful solutions. The cost of improvements on common areas, including not only community facilities but also the roofs and exteriors of individual units, can be assessed to the condominium association, with modest increases in fees to unit owners, offset by lower energy costs.

## Revitalizing Downtowns & other challenges

NJPACE offers a way to kickstart development in a number of challenging situations — from Main Street redevelopment, to the adaptive reuse of existing “white elephant” commercial and industrial structures, to the full-scale energy reengineering of for-profit or nonprofit buildings.

## Summary of Benefits to Building Owners

- 100% upfront financing for qualified energy upgrades
- No cash investment is needed
- Off-balance sheet financing allows owners to use their credit elsewhere
- Cash-flow for energy projects is positive from start
- Owners without strong credit ratings can be approved
- Allows for deeper energy upgrades because the financing offered is payable over an extended period (up to 30 years)
- Upon sale, PACE assessment and repayment obligation transfers to new owner
- Like any other municipal assessment, payments don't accelerate in case of default

## The New Jersey PACE (NJPACE) Program

**New Jersey PACE**, a 501c3 NJ nonprofit, acts as program administrator for municipalities and reimburses municipalities for costs incurred in placing assessments on owners' properties. We assist municipalities, property owners, contractors and investors by processing each PACE project from application to closing to final approval.

While our services are customized to the needs of each community, we use best practices from programs in other states, including standardized forms and procedures designed to work across NJ's many municipalities; this helps streamline the process for owners who want to use PACE financing in several municipalities. There is no cost to the municipality or to the taxpayer.

Learn more at [NewJerseyPACE.org](http://NewJerseyPACE.org) or call us today:

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