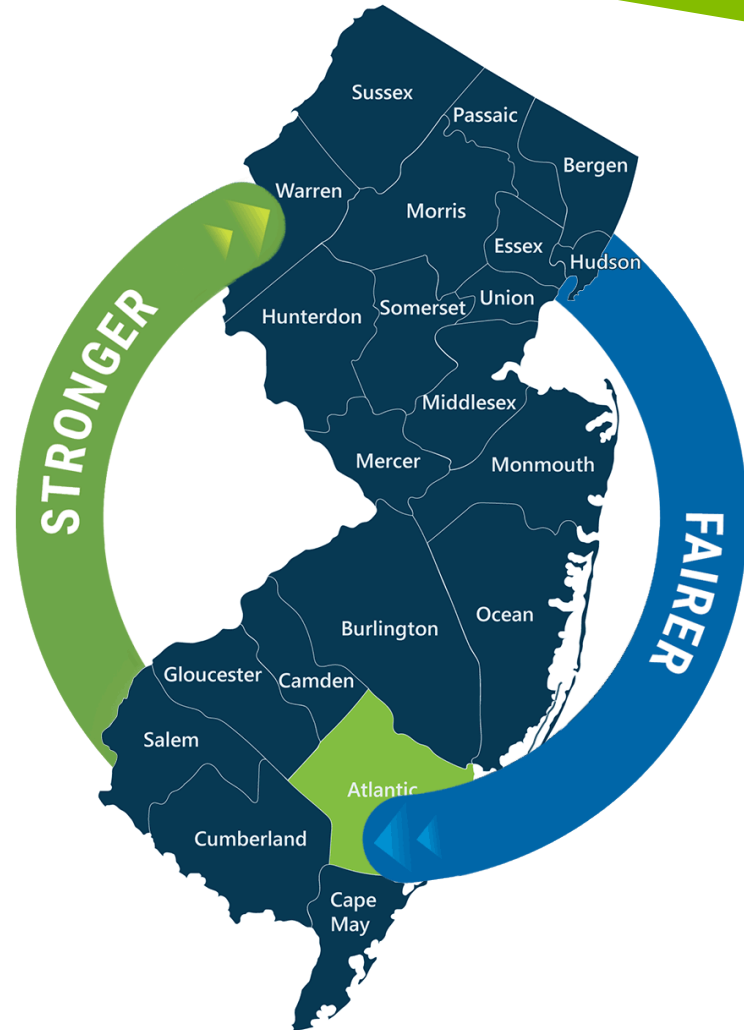


Garden State C-PACE

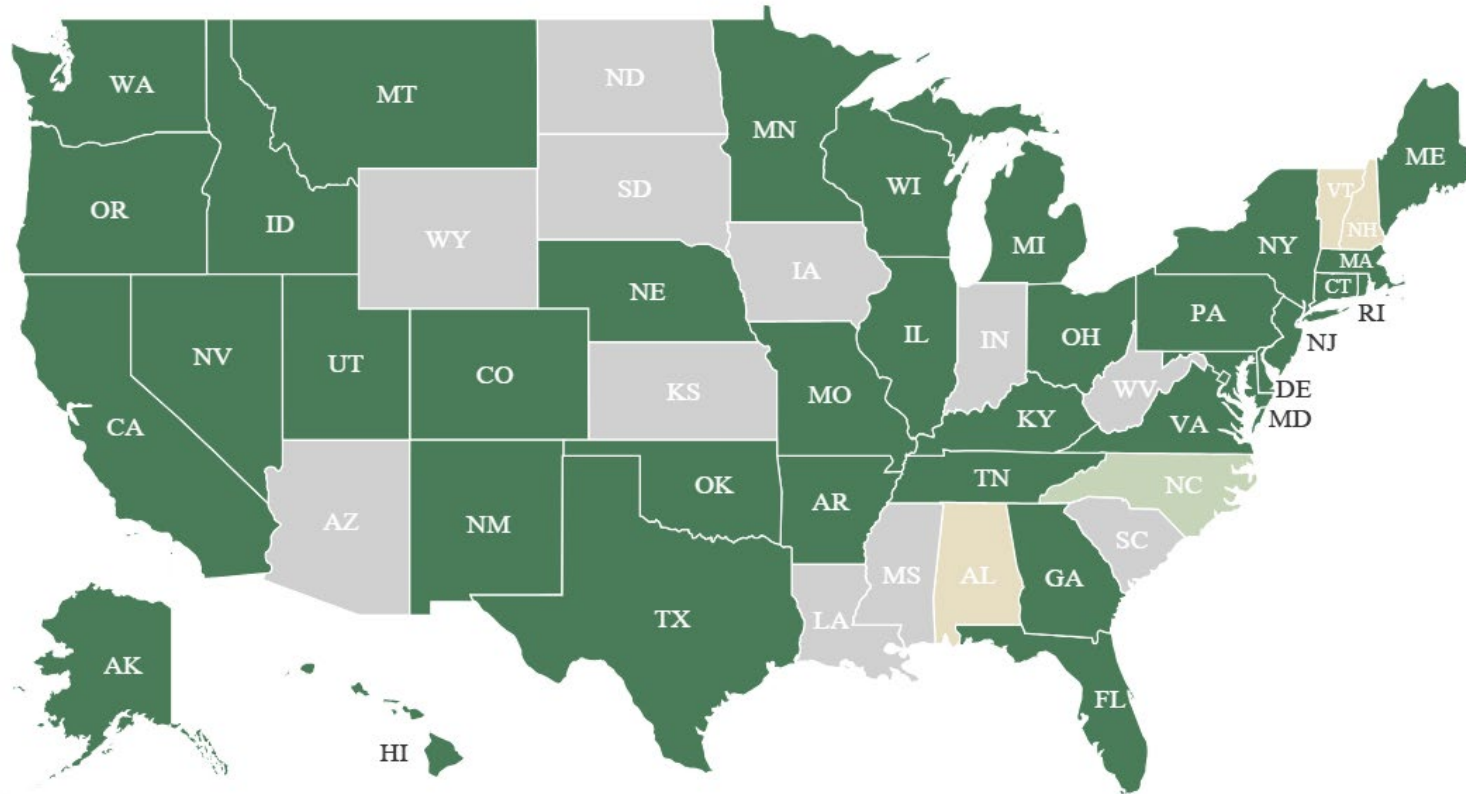


Commercial Property Assessed Clean Energy (“C-PACE”)

- Enables eligible real property owners to access financing to undertake certain types of improvements on their properties and repay the financing through the payment of an additional assessment to their municipality
-

- Authorized by statute (2021)
- Senior, non-accelerating, transferable lien
- 100% private capital
- Repayment operates like property taxes
- NJEDA is responsible for program development and administration

National C-PACE Overview



Pacenation.org

Market Data (through 2024):

- \$9.7B in investments
- 3,580+ commercial projects
- 120,000+ jobs created

Investment by Project Type:

- 55% Energy Efficiency
- 17% Renewable Energy
- 15% Mixed
- 3% Resiliency
- 10% Other (storage, water, etc.)

Garden State C-PACE Eligible Projects

Eligible Projects must be affixed to an Eligible Property and must be for the acquisition, construction, installation or modification of one or more of the following types of improvements

Energy Efficiency



An improvement to reduce energy through conservation or a more efficient use of electricity, natural gas, propane, or other forms of energy (e.g., air sealing, ventilation, insulation, efficient lighting, energy-efficient heating/cooling)

Renewable Energy Systems



An improvement by which electrical, mechanical, or thermal energy is produced (e.g., hydrogen, solar energy, geothermal energy, biomass, wind energy)

Electric Vehicle Charging Infrastructure



Equipment designed to deliver electric energy to a battery electric vehicle or a plug-in hybrid vehicle

Energy Storage



Technology that can absorb energy, store it for a period, and thereafter dispatch the energy, including battery electric storage, thermal storage, pumped hydropower, and such other forms of energy storage

Water Conservation



An improvement that reduces water consumption, increases the efficiency of water use, or reduces water loss

Flood Resistant Construction



An improvement that mitigates the likelihood of flood damage (e.g., break-away walls, building elevation alterations)

Hurricane Resistant Construction



An improvement that enables a component of a structure to be in compliance with the standards for a “wind-borne debris region”

Stormwater Management Systems



Efforts to convey stormwater, control or reduce stormwater runoff and associated pollutants/flooding, induce/control the infiltration of groundwater recharge of stormwater, or eliminate illicit non-stormwater discharges into stormwater conveyances

Garden State C-PACE Program Requirements

Requirement	Description
Eligible Property	<ul style="list-style-type: none"> • A parcel of real property • Located within a Participating Municipality • Must be either: <ul style="list-style-type: none"> • industrial, agricultural, or commercial property; • residential property containing five or more dwelling units • common areas of condominiums and other planned real estate developments • property owned by a tax-exempt or nonprofit entity, including, but not limited to, schools, hospitals, institutions of higher education, or religious institutions • Not subject to any bankruptcy proceedings, defaults on any mortgage loans, or overdue tax payments, charges, and assessments
Eligible Owner	<ul style="list-style-type: none"> • The legal or beneficial owner of an Eligible Property or duly authorized by the legal or beneficial owner(s) • Not subject to any bankruptcy proceedings
Eligible Costs	<ul style="list-style-type: none"> • Direct Costs • Indirect Costs • Financing Costs of Capital Provider • Program Fees
C-PACE Financing Terms	<ul style="list-style-type: none"> • Financing Amount: No minimum or maximum • Assessment Amount: Debt-to-Value Ratio may not exceed 90% • Term: Shall not exceed the Weighted Average Useful Life (WAUL) of the improvements or thirty (30) years • Must obtain Mortgage Holder Consent • Terms solely determined and negotiated between the Eligible Owner and Capital Provider

Financing Amounts

Retrofits:

Up to 100% of Eligible Costs, including:

- Hard Costs
- Soft Costs
- Financing Costs
- Program Fees

Energy Efficiency

Water Conservation

Renewable Energy Systems

Flood Resistant Construction

Electric Vehicle Charging Infrastructure

Hurricane Resistant Construction

Energy Storage

Stormwater Management Systems

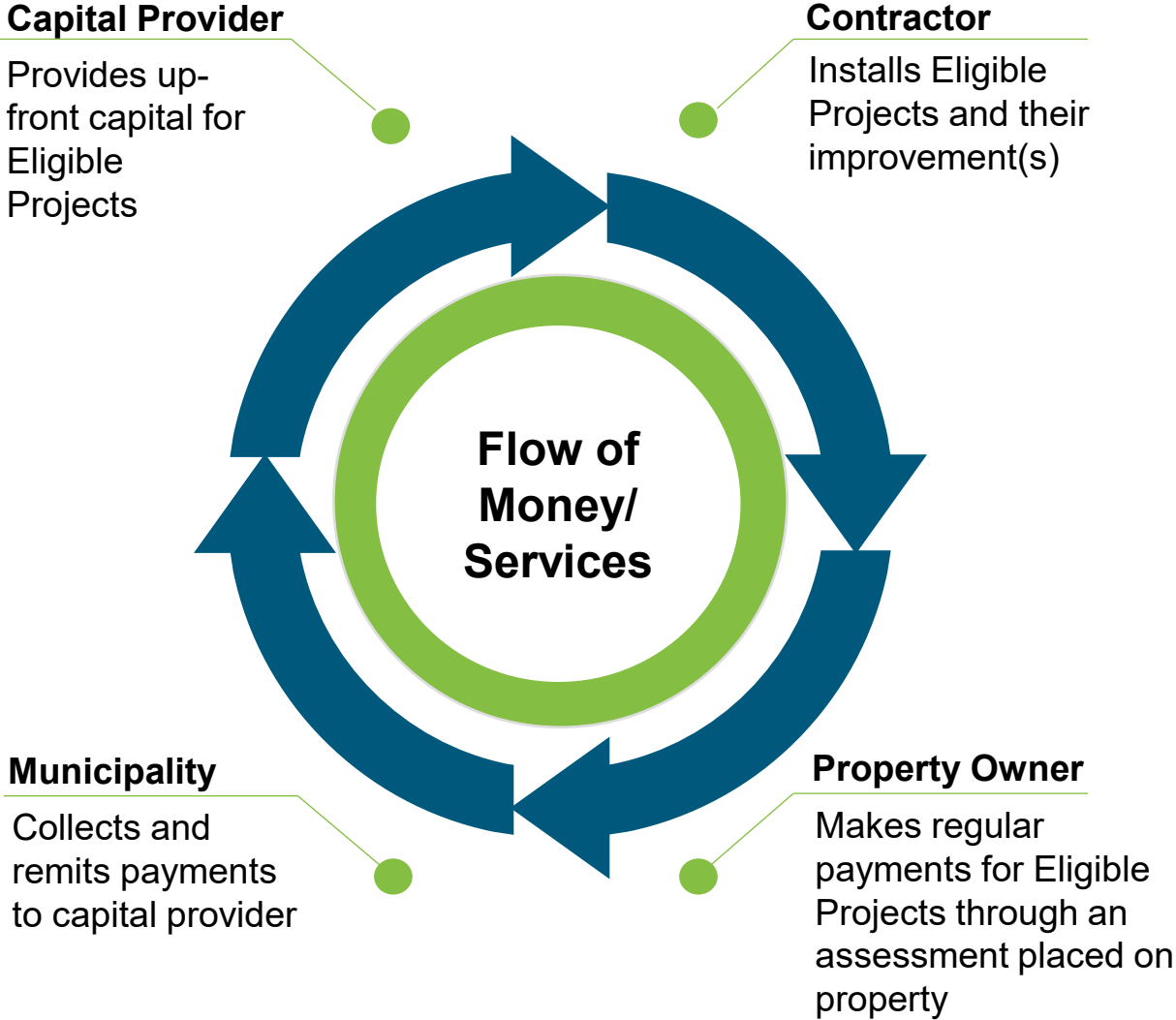
New Construction:

Table 1. New Construction Projects				
IECC/ASHRAE Code Year	Minimum Energy Performance Above Code	Maximum Base Underwriting Percentage	Additional Underwriting Percentage with Bonus Technologies	Maximum Underwriting Percentage
2021	Exceeds code but less than 2.5%	20%	+2.5% per bonus technology	35%
2021	2.5% but less than 5%	25%	+2.5% per bonus technology	35%
2021	Greater than 5%	30%	+2.5% per bonus technology	35%
2018 or Prior	Exceeds code but less than 7.5%	20%	+2.5% per bonus technology	35%
2018 or Prior	Greater than 7.5%	30%	+2.5% per bonus technology	35%

Bonus Technologies
Electric Vehicle Charging Infrastructure
Energy Storage systems behind the meter
High-efficiency heat pumps (air, ground, or water source & facility-wide)
Heat pump water heaters (facility-wide)
*Hydrogen systems
*Solar energy system, sized sufficiently for the project (photovoltaic and/or thermal)
*Geothermal energy systems
*Wind energy system
*Biomass system
*Other fuels and energy sources that the Authority, in consultation with NJ Board of Public Utilities ("NJBPU"), determines are renewable energy fuels or sources

*Improvements by which electrical, mechanical, or thermal energy is produced from a method that uses the noted energy fuel source.

Repayment Process



Why Use C-PACE?

Lower WACC

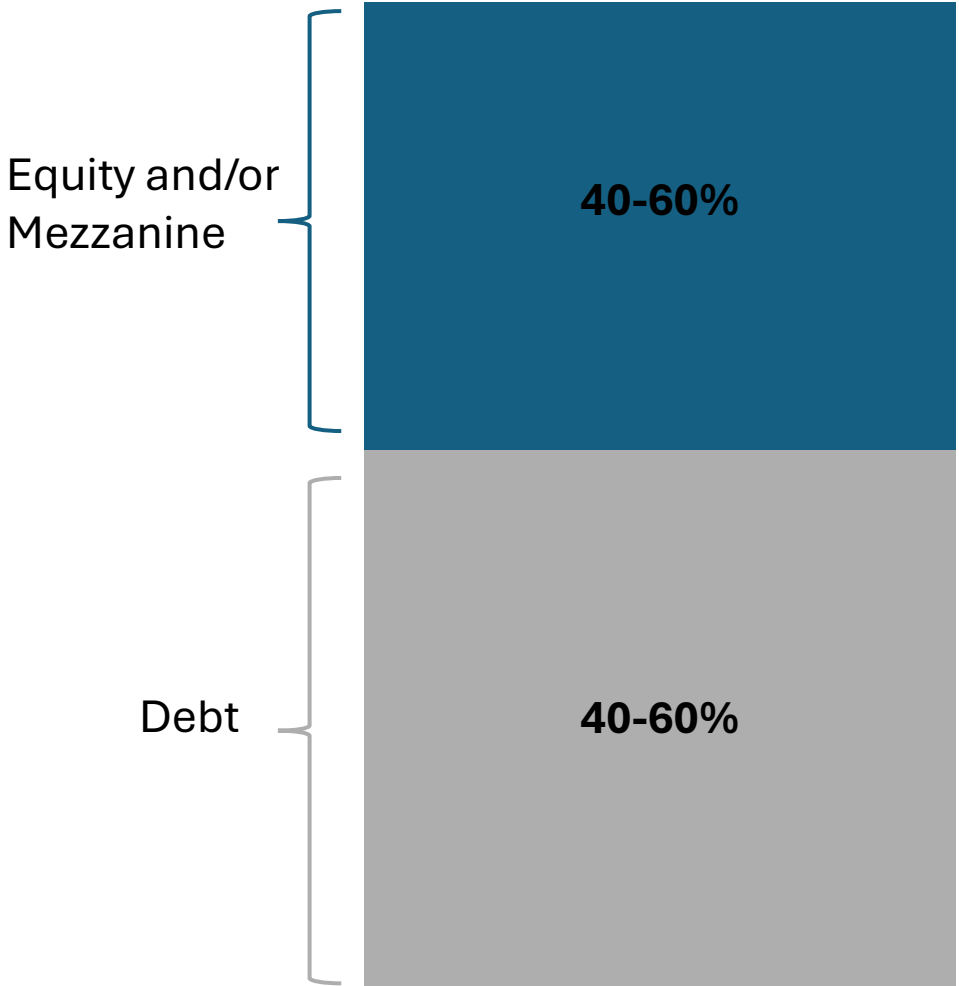
Reduce Equity Investment

Boost Returns

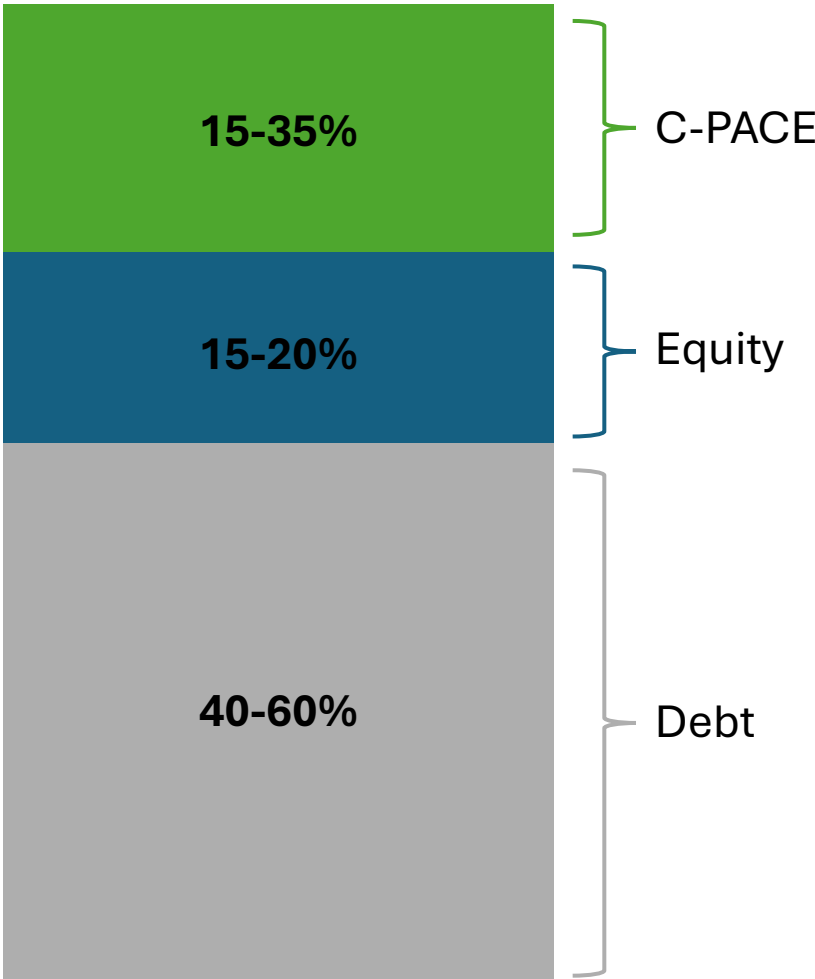
Maintain Larger Ownership Percentage

Replace Expensive Equity/Debt

Conventional Debt/Equity



With C-PACE



C-PACE Benefits

STAKEHOLDER BENEFITS



Property Owners

- Get **longer term financing**
- Lower **interest rates**
- Smaller debt service payments make it much easier for **projects to pencil out**
- No recourse to business owners—**no personal guarantees**
- Changes the conversation in context of **voluntary transfer of property**
- Off-balance sheet accounting treatment



Municipalities

- Opportunities, without a funding outlay, to:
- Support measures that will **reduce** greenhouse gas and criteria pollutants emitted by their C&I sector
 - Support **resiliency measures** that could be of critical importance to local businesses
 - Enhance the tax base due to property improvements and **new construction projects**
 - Boost local economic development



Mortgage Holders

- Increasing comfort level with consenting to C-PACE loans
- They see the **enhancement of the value of their collateral**
- Lack of ability to accelerate C-PACE loans is critical
- Unique feature means that the magnitude of C-PACE payment defaults remain manageable
- Mortgage lenders are **entering the market!**



Contractors

- Helps contractors better convert leads to deals for energy upgrades by giving property owners access to up to 100% up-front financing for up to 30 years
- Allows for **deeper energy efficiency, renewable energy, and resiliency improvements** because of **increased affordability** for borrowers



Capital Providers

- Offers capital providers **extremely strong loan security** position similar to a tax lien on a property, which sits in a senior position to other encumbrances on the property
- Garden State Program is **“open platform”** — meaning that any capital provider that meets certain basic requisites may participate

OVERVIEW

BACKGROUND

BENEFITS

INDICATION OF INTEREST

Garden State C-PACE Overview

The Garden State Commercial Property Assessed Clean Energy ("C-PACE") Program will provide a new form of financing for renewable energy, energy efficiency, water conservation, and certain types of resiliency-related improvements for New Jersey. The Program works by enabling eligible commercial, industrial, agricultural, and certain multi-family residential real property owners to access financing to undertake these kinds of improvements on their properties and repay the financing through the payment of an additional assessment to their municipality, similar to their real property tax. Projects financed through the Program will be secured by a special assessment lien on the improved real property. Like other benefit assessments, a C-PACE Assessment is a non-accelerating, senior lien secured by the property. The repayment obligation transfers automatically to the next owner if the property is sold and, in the event of default, only the payments in arrears are due, i.e., the underlying loan cannot be accelerated. In addition, the Program will require that any holder of a mortgage lien on the applicable property must consent to the C-PACE financing before it may be implemented.

Because the payment is secured by a senior lien, C-PACE projects are seen as less risky than typical loans, allowing capital providers to lend at lower interest rates than would otherwise be the case. Moreover, due to the security arrangements for the loan, capital providers are willing to extend loans that are longer in duration, typically tying the loan term to the expected life of the C-PACE project and its associated improvements. The longer loan terms result in lower periodic debt service payments, making it easier for energy efficiency, water conservation and renewable energy-related C-PACE projects to be cashflow- positive from the outset.

Assessments are a tool which municipalities levy on real estate parcels to serve valuable public purposes. C-PACE builds on a long history of using such assessments and serves a public purpose through reducing energy costs, stimulating the economy, potentially improving property valuation, reducing greenhouse gas emissions, and creating jobs. Over the past decade, C-PACE programs in more than two dozen states around the country have proven an effective tool to attract private capital into the renewable energy, energy efficiency, and resiliency markets.

BOARD MEMO



PROGRAM GUIDELINES



SUPPLEMENTAL GUIDELINES



MUNICIPALITY DOCUMENTS



- ▶ [Model Opt-In](#)
- ▶ [Program Agreement](#)
- ▶ [Assessment Agreement](#)
- ▶ [Assignment Agreement](#)
- ▶ [Notice of Assessment](#)
- ▶ [Notice of Amendment of Assessment](#)



PROPERTY OWNER DOCUMENTS



Thank you!

Max.Frank@njeda.gov
