

## **Strategy for Rolling Out PACE in New Jersey**

Monday, December 29, y

Now that the amending legislation (A2579/S1510) seems likely to become law, it's important to consider how to manage the launch of the New Jersey PACE program throughout New Jersey. The benefits that PACE can bring to the economy, the environment, property owners and communities are substantial, *provided* there is widespread adoption of the Program — and that is the goal of this strategy.

Our key objectives for the Launch are:

- (a) to ensure that municipalities throughout New Jersey know about our program
- (b) to ensure that contractors and related professionals (architects and engineers) are aware of the program and its many advantages
- (c) to ensure the appropriate level of public awareness of the program through the media, conferences, public events, etc.
- (d) to ensure that NJPACE is ready to meet the demand for assistance in municipal program adoption, timely processing of applications, and the delivery of project financing, implementation support, and monitoring, and,
- (e) to obtain corporate and foundation sponsorship, and/or financing to support the launch

In a recent panel discussion hosted by *NJSpotlight*, Senator Bob Smith (one of the bill's principal Sponsors) stated that two programs — ESIP and PACE — could make New Jersey the most energy-efficient state in the country, and one of the most energy-efficient jurisdictions in the world.<sup>1</sup> We know, however, that ESIP (a 2009 law which provides state funding for energy efficiency in public buildings) has only begun to show results in 2014, and that no municipality has signed up for a PACE program since the passage of the original PACE legislation in 2012. The removal of several obstacles in the new PACE bill, coupled with the pent-up demand for clean energy and resiliency improvements, could therefore lead to a veritable tsunami of demand for PACE financing across the state.

For this to occur, however, municipal officials, the industry and property owners need to know about the program and its benefits. Our first goal should be, therefore,

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<sup>1</sup> There is a brief story on the event here: <http://www.njspotlight.com/stories/14/12/14/pseg-chief-touts-energy-efficiency-as-beneficial-to-consumers-utilities-economy-and-environment/>, though it does not convey the full import of the Senator's remarks.

to make PACE information available as widely as possible as soon as the new law is adopted.

Our plan for the widespread uptake of PACE involves a number of elements:

1. Develop a comprehensive program of web site updates, electronic newsletters, social media, as well as traditional media, public relations and marketing activities
2. Design and conduct information sessions and training through coordination with organizations such as:
  - a. The League of Municipalities, universities, chambers, unions
  - b. Sustainable Jersey to get the word out to 400+ registered SJ municipalities
  - c. Contractor and professional associations (architects, engineers, attorneys)
  - d. NJ Bankers Association to educate NJ mortgage lenders about the benefits of a PACE loan, notwithstanding its prior lien status
3. Design and implement launch event(s):
  - a. An event, perhaps in Trenton, to mark the approval of the legislation
  - b. Events for the first towns to sign up with NJPACE to undertake the program
4. Solicit advice and input from key players (list to be developed), in and out of state
5. Hold a fall 2015 conference, perhaps in conjunction with the League of Municipalities, *NJSpotlight*, Sustainable Jersey, etc.
6. Stage a PACE Race as a relay event across New Jersey to recognize or encourage municipalities to join the program
7. Obtain corporate and foundation sponsorships for specific events as well as online and collateral brand recognition opportunities (sponsorships, in-kind services, registration fees and other contributions are expected to partially off-set expenses)
8. Provide phone and meeting consultations and presentations to municipalities to have them pass ordinances allowing PACE programs, and, specifically, NJPACE

Some of this we can do ourselves, but it would be more practical to engage PR / event management / social media experts, and we plan to begin interviewing for this right away. Hiring experts (along with the advice and input from key players listed above) may also help us to refine the Program to be most cost-effective.

We ourselves will need to interface with individual municipalities, to assist them in passing the ordinance and entering into a participation agreement with NJPACE. We will likely need to attend municipal council meetings, meet with staff, and provide coaching on all aspects of implementation.

We are also proposing to create a handbook for the municipal adoption of PACE, with copies of model legal documents and suggestions for the implementation of a maximally effective program. It may also be useful to create an online course or series of webinars for municipalities.

### **Operational Implementation**

These ideas are all on the informational and educational fronts. At the same time, however, we will need to begin accepting project applications, registering additional contractors, and firming up agreements with capital providers. We have already built an infrastructure online capable of handling hundreds of contractors and thousands of projects. Nonetheless, we will need staff to review the applications, and this staff will need to be trained and managed in processing applications.

As applications are received, if the municipalities are not already enrolled in NJPACE, we will need to contact the relevant municipalities and enroll them in the Program. One of our potential capital providers told us that it costs roughly \$10,000 to establish a PACE program with a new municipality. We believe it's important to recognize that "widespread adoption" really means having a presence in each participating community, which may mean a person dedicated to each region, county, city or group of municipalities.

Moreover, different municipal programs may have somewhat different preferences, practices, and procedures, which may require us to customize our program. In essence, however, the initial challenge will be to enroll municipalities, handle several dozens of applications, arrange closings, ensure registration of the Special Assessments, establish the correct handling of the funds, and so on. Once this machinery is in place, we can work with local economic development officers, business organizations, and community groups to grow the local programs.

One of the pillars of NJPACE is to make non-exclusive programs the norm. Our competitors intend to make their PACE programs as exclusive as possible, as has been done in several other states. Combating exclusivity requires us to engineer a simultaneous roll-out in many regions at once, so that municipalities are aware that they do not *need* to enter into such exclusive PACE program agreements (and that they understand that such exclusive arrangements will in fact stifle the development of PACE projects in their jurisdictions.)

To maximize the benefits of PACE to communities, we need to foster both competition and collaboration — competition to provide lower rates, better terms, and superior service; and collaboration to maintain high standards in the industry and ensure best practices in the delivery of cost savings, emission reductions, and the strengthening of resiliency envisioned in the legislation.

Taking these elements together, it's clearly the case that we can and will allocate whatever funds we have available to accomplishing these results. But the difference

between a \$50,000 budget and a \$500,000 budget is likely to be critical to the ultimate success of our enterprise.

We therefore propose the following marketing / roll-out budget :

Consultants	\$25,000
PR / Marketing/ Event Planning	\$25,000
Conferences / Training Events	\$45,000
Initial Launch Event(s)	\$ 5,000
Local and Regional Launch Events (5)	\$15,000
Social Media	\$15,000
Legal	\$40,000
Staffing	\$240,000
Web development	\$30,000
Processing	\$45,000
<b>Total</b>	<b>\$ 485,000</b>

### **Financing Alternatives**

All of this is needed, and is doable, providing we are able to allocate the resources that are essential for establishing and growing the operation. As a nonprofit, we do not currently have the funds required to launch such an operation; like any other business start-up, we require seed capital to undertake an effective launch.

There are several ways that we can obtain this:

- Foundation Support (e.g., approaching foundations we have already spoken with, and those that we have not yet engaged with)
- Corporate Sponsorships
- Credit Facilities (i.e., loans to the nonprofit)
- Investment Capital

In order to obtain investment capital, we wish to consider the option of running a for-profit subsidiary to work with outside investors and distribute returns according to an agreed formula. The role of this subsidiary would be to earn a financing fee from the placement of long-term Assessment certificates, in order to provide a return on the capital used to establish the processing operation, fund the marketing campaign, and secure municipal participation in our non-exclusive program across the state.

An additional possibility is to provide returns through securitization. This would require a warehouse line of credit for the construction loans that would be held until a critical mass was accumulated.

*NJPACE Rollout Strategy—12/29/14*

We believe that if we can secure financing of approximately \$485,000, we will have the cash-flow to mount a business operation that will provide meaningful returns. Profits will come through fees placed on each loan, corporate sponsorships and administrative processing fees. Securitization would provide the ultimate benefits.

We look forward to your suggestions on how we can achieve the best outcome for New Jersey, NJPACE, our collaborators, donors, and potential investors.

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