

**ASSEMBLY, No. 1902**

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**STATE OF NEW JERSEY**

**218th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

**Sponsored by:**

**Assemblyman RAJ MUKHERJI**

**District 33 (Hudson)**

**Assemblywoman ELIANA PINTOR MARIN**

**District 29 (Essex)**

**Assemblyman TIM EUSTACE**

**District 38 (Bergen and Passaic)**

**Co-Sponsored by:**

**Assemblymen Benson, McKeon, Gusciora, Assemblywomen Pinkin, Chaparro and Assemblyman Zwicker**

**SYNOPSIS**

Authorizes municipalities to establish program for public or private financing of certain energy, water, and storm resiliency projects under PACE program through use of voluntary special assessments for certain property owners.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 10/16/2018)**

1 AN ACT concerning the implementation of renewable energy and  
2 energy efficiency systems and water conservation, storm shelter  
3 construction, flood and hurricane resistance projects, energy  
4 storage, microgrids, and district heating and cooling system  
5 projects, amending P.L.1960, c.183, and amending and  
6 supplementing P.L.2011, c.187.

7

8 **BE IT ENACTED** by the Senate and General Assembly of the State  
9 of New Jersey:

10

11 1. (New section) The Legislature finds and declares it to be the  
12 public policy of this State that:

13 a. The implementation of and investing in energy and water  
14 efficiency improvements to, and flood and hurricane mitigation  
15 projects for, existing properties is a critical component in  
16 conserving natural resources and mitigating the effects of floods  
17 and hurricanes, and is financially beneficial over time; and upfront  
18 costs are a barrier to major energy improvements;

19 b. PACE legislation provides an innovative way for property  
20 owners to finance energy and water efficiency improvements which,  
21 in turn, results in property owners saving a significant sum in  
22 energy costs, helps communities create local jobs, results in lower  
23 mortgage foreclosures, and stimulates local economies and lower  
24 emissions; and

25 c. PACE financing will allow New Jersey municipalities to  
26 contribute toward meeting community sustainability, greenhouse  
27 gas emissions reductions, and energy goals, and will provide a  
28 valuable service to the citizens of their communities.

29

30 2. (New section) As used in P.L.2011, c.187 (C.40:56-1.4 et  
31 al.):

32 "Bonds" mean bonds or other obligations issued by a  
33 municipality, county, or county improvement authority, as  
34 applicable, for the purposes set forth in this section and in P.L.2011,  
35 c.187 (C.40:56-1.4 et al.).

36 "Director" means the Director of the Division of Local  
37 Government Services in the Department of Community Affairs.

38 "District heating and cooling system" means a local piping  
39 system that provides hot water, steam, or chilled water from one or  
40 more sources to multiple buildings.

41 "Energy efficiency improvement" means an improvement to  
42 reduce energy consumption through conservation or a more  
43 efficient use of electricity, natural gas, propane, or other forms of  
44 energy, including, but not limited to: air sealing; installation of

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 insulation; installation of energy-efficient electrical, heating,  
2 cooling or ventilation systems; building modifications to increase  
3 the use of daylight; replacement of windows; installation of energy  
4 controls or energy recovery systems; installation of electric vehicle  
5 charging equipment; and installation of efficient lighting  
6 equipment.

7 "Flood resistant construction project" means a project that  
8 mitigates the likelihood of substantial flood damage, including but  
9 not limited to the installation of break-away walls and building  
10 elevation alterations.

11 "Hurricane resistant construction project" means an improvement  
12 that brings a component of a structure into compliance with the  
13 standards for a "wind-borne debris region" pursuant to the "State  
14 Uniform Construction Code Act," P.L.1975, c.217 (C.52:27D-119  
15 et seq.), or into compliance with a successor standard under that  
16 code.

17 "Microgrid" means a group of interconnected loads and  
18 distributed energy resources within clearly defined electrical  
19 boundaries that acts as a single controllable entity with respect to  
20 the grid and that connects and disconnects from the grid to enable it  
21 to operate when both connected to, or independent of, the grid.

22 "PACE" is an acronym for the term "property assessed clean  
23 energy."

24 "PACE project" means (1) the purchase, lease, or installation, or  
25 any combination thereof, of renewable energy systems or the energy  
26 produced by such systems, energy efficiency improvements, energy  
27 storage, water conservation projects, flood resistant construction  
28 projects, hurricane resistant construction projects, storm shelter  
29 projects, or safe room projects which are undertaken by property  
30 owners within a municipality and permanently affixed to each  
31 participating property, and in the case of a lease, continue for the  
32 duration of the PACE special assessment, or (2) participation by  
33 property owners within the municipality in a microgrid or district  
34 heating and cooling system provided that each property owner's  
35 participation contractually continues for the duration of the PACE  
36 special assessment.

37 "PACE program" means a program established by a municipality  
38 by ordinance, providing for the imposition of PACE special  
39 assessments on properties within the municipality, in which the  
40 owner of such property has requested the PACE special assessment.

41 "PACE special assessment" means a local improvement  
42 assessment, in accordance with chapter 56 of Title 40 of the  
43 Revised Statutes, to be imposed on a property in connection with a  
44 PACE project.

45 "Private entity" means a private for-profit or non-profit  
46 corporation, partnership, or any other form of private organization,  
47 including but not limited to a "related competitive business segment  
48 of a public utility holding company," or a "related competitive

1 business segment of an electric public utility or gas public utility,"  
2 as defined under section 3 of P.L.1999, c.23 (C.48:3-51), so long as  
3 the organization is not subject to the jurisdiction of the Board of  
4 Public Utilities.

5 "Project costs" mean the costs associated with a PACE project,  
6 and shall be deemed to include: the hard costs of leasing,  
7 purchasing, constructing or acquiring the project; soft costs,  
8 including but not limited to engineering fees, inspection fees and  
9 permits, and costs relating to the measurement and verification of  
10 project savings; costs of utilizing the PACE program, including but  
11 not limited to program fees, closing costs, and interest and other  
12 financing charges; and bond issuance costs, including but not  
13 limited to professional fees and the costs of funding capitalized  
14 interest, if any, or a debt service reserve fund, if any.

15 "Property" means an industrial, agricultural, or commercial  
16 property, residential property with five or more dwelling units, or  
17 property owned by a tax-exempt or nonprofit entity including  
18 schools, hospitals, institutions of higher education, or religious  
19 institutions, within a municipality upon which a PACE special  
20 assessment is imposed at the request of a property owner in  
21 connection with a PACE project.

22 "Property owner" means the owner of a property within a  
23 municipality who requests that a PACE special assessment be  
24 imposed on the property in connection with a PACE project.

25 "Renewable energy system" means an improvement in which the  
26 electrical, mechanical, or thermal energy is produced from a method  
27 that uses one or more of the following fuels or energy sources:  
28 hydrogen, solar energy, geothermal energy, bio-mass or wind  
29 energy.

30 "Safe room project" or "storm shelter project" means an  
31 improvement that creates a hardened structure specifically designed  
32 to meet criteria set forth by the Federal Emergency Management  
33 Agency and provide "near-absolute protection" in extreme weather  
34 events, including tornados and hurricanes.

35 "Solar renewable energy certificate" shall have the same  
36 meaning as set forth in section 3 of P.L.1999, c.23 (C.48:3-51).

37 "Water conservation project" means an improvement that  
38 reduces water consumption, increases the efficiency of water use, or  
39 reduces water loss.

40

41 3. Section 1 of P.L.2011, c.187 (C.40:56-1.4) is amended to  
42 read as follows:

43 1. **【**Upon application to and approval by the Director of the  
44 Division of Local Government Services in the Department of  
45 Community Affairs, the**】** a. The governing body of a municipality  
46 may adopt an ordinance to undertake the 【financing of the purchase  
47 and installation of renewable energy system and energy efficiency  
48 improvements】 development, implementation, administration, or

1 financing, or any combination thereof, of a PACE program. All  
2 PACE programs shall expire 10 years from the date of enactment of  
3 P.L. , c. (C. ) (pending before the Legislature as this bill).  
4 A municipality shall not adopt a PACE program, and no new PACE  
5 special assessments may be imposed, 10 years after the date of  
6 enactment of P.L. , c. (C. ) (pending before the Legislature  
7 as this bill), but any PACE special assessment properly imposed  
8 during the 10-year period shall continue during and to the end of its  
9 contractual period.

10 The PACE program shall consist of, among other things, the  
11 implementation of PACE projects to be undertaken by property  
12 owners as [a] local [improvement] improvements and [may  
13 provide] the provision by ordinance for a ["clean energy] "PACE  
14 special assessment" to be imposed on [a property] properties within  
15 the municipality, if the owner of [the] a property requests the  
16 PACE special assessment in order to [install such systems or  
17 improvements] undertake a PACE project. [Each improvement]  
18 PACE projects on an individual property subject to the same PACE  
19 special assessment agreement collectively shall constitute a separate  
20 local improvement and shall be assessed separately to the property  
21 owner benefitted thereby. [The clean energy special assessment  
22 shall be payable in quarterly installments. The terms of the clean  
23 energy special assessment shall be in accordance with the terms of  
24 the financing provided by the municipality pursuant to section 2 of  
25 P.L.2011, c.187 (C.40:56-13.1).]

26 b. A municipality may designate a county, county improvement  
27 authority, another public entity, or one or more private entities to  
28 manage, oversee, administer, finance, or implement, or any  
29 combination thereof, all or any part of the PACE program on the  
30 municipality's behalf. To the extent that a county, county  
31 improvement authority, or other public entity is designated to  
32 manage, oversee, administer, finance, or implement, or any  
33 combination thereof, all or any part of a PACE program on the  
34 municipality's behalf, the county, county improvement authority, or  
35 other public entity may designate one or more private entities to  
36 manage, oversee, administer, finance, or implement, or any  
37 combination thereof, all or any portion of such activities.

38 c. The director shall prepare within five years after the date of  
39 enactment of P.L. , c. (C. ) (pending before the Legislature as  
40 this bill) a report that reviews and assesses all PACE programs  
41 operating in the State. The report shall evaluate the PACE  
42 programs in effect, and shall review foreclosure rates, cost-  
43 effectiveness of PACE projects, reasonableness of costs to property  
44 owners, and any other factors the director deems appropriate. The  
45 report shall also identify and recommend any legislative changes to  
46 the law authorizing the PACE program that may be necessary. The  
47 report shall be posted on the Internet website of the Department of

1 Community Affairs and submitted, pursuant to section 2 of  
2 P.L.1991, c.164 (C.52:14-19.1), to the Legislature.

3 (cf: P.L.2011, c.187, s.1)

4  
5 4. Section 2 of P.L.2011, c.187 (C.40:56-13.1) is amended to  
6 read as follows:

7 2. a. A county, county improvement authority, or other public  
8 entity, or a private entity designated by a municipality or a county,  
9 county improvement authority, or other public entity, pursuant to  
10 subsection b. of section 1 of P.L.2011, c.187 (C.40:56-1.4) to  
11 administer or implement a PACE program, may: administer  
12 agreements between a private entity and property owners;  
13 administer agreements between municipalities and property owners  
14 pursuant to section 3 of P.L.2011, c.187 (C.40:56-13.2); administer  
15 agreements involving county improvement authorities pursuant to  
16 paragraph (2) of subsection (j) of section 12 of P.L.1960, c.183  
17 (C.40:37A-55); administer agreements involving private entities  
18 that participate in the program; administer the sale of solar  
19 renewable energy certificates from participating property owners;  
20 and undertake any other appropriate responsibilities as set forth in  
21 its agreement with the municipality, county, county improvement  
22 authority, or other public entity, as applicable. Any contract  
23 between the entity and a municipality, county, or county  
24 improvement authority shall be subject to the “Local Public  
25 Contracts Law, P.L.1971, c.198 (C.40A:11-1 et seq.).

26 b. A municipality may adopt an ordinance to undertake the  
27 development, implementation, administration, or financing, or any  
28 combination thereof, of a PACE program as provided in P.L.2011,  
29 c.187 (C.40:56-1.4 et al.)

30 **【Upon application to and approval by the Director of Local**  
31 **Government Services in the Department of Community Affairs, a**  
32 **municipality may adopt an ordinance to establish a program to**  
33 **finance the purchase and installation of renewable energy systems**  
34 **and energy efficiency improvements by property owners.】**

35 c. The governing body of a municipality may apply to a  
36 county, or to a county improvement authority that issues bonds  
37 pursuant to paragraph (2) of subsection (j) of section 12 of  
38 P.L.1960, c.183 (C.40:37A-55), or may issue bonds to finance the  
39 program pursuant to section 3 of P.L.2011, c.187 (C.40:56-13.2).

40 (1) Notwithstanding any other law to the contrary, bonds issued  
41 by a county or municipality shall be authorized and issued by  
42 ordinance of such county or municipality, may be issued in one or  
43 more series, on such additional terms and may be sold at public or  
44 private sale, all as set forth in the ordinance.

45 (2) (a) Bonds issued by a municipality, county, county  
46 improvement authority or other public entity shall be non-recourse  
47 obligations of such issuer and shall not be a general obligation of  
48 such issuer, or the State of New Jersey.

1       **(b) Bonds issued by a county improvement authority shall be**  
2 **authorized and issued in the manner set forth in the "county**  
3 **improvement authorities law," P.L.1960, c.183 (C.40:37A-44 et**  
4 **seq.).**

5       **(3) In addition, the municipal governing body, or the entity**  
6 **serving as its administrator, may use funding through private**  
7 **entities or public entities to finance the PACE program; provided**  
8 **that no such funding shall be guaranteed or secured by the full faith**  
9 **and credit of any public entity, including the State of New Jersey.**  
10 Funds for the **【purchase and installation of renewable energy**  
11 **systems and energy efficiency improvements shall be loaned】**  
12 **implementation of PACE projects shall be made available to**  
13 **property owners in exchange for a 【clean energy】 PACE special**  
14 **assessment on the property pursuant to section 1 of P.L.2011, c.187**  
15 **(C.40:56-1.4) 【, to be paid quarterly】. 【In the case of financing**  
16 **provided by bonds issued by a county improvement authority, the**  
17 **clean energy】 The PACE special assessment shall be used to repay**  
18 **the debt service on the bonds and the project costs. 【In the case of**  
19 **financing provided by the municipality through the issuance of**  
20 **municipal bonds, the clean energy special assessment shall be used**  
21 **to repay the bonds.】**

22       **d. A property owner who 【purchases and】 installs a renewable**  
23 **energy system under the program may also assign or transfer any**  
24 **solar renewable energy certificates or other renewable energy**  
25 **certificates or credits that accrue to the property owner from the**  
26 **operation of the system to the municipality 【or】 the county**  
27 **improvement authority 【to repay the loan for the system】. other**  
28 **public entity, or the private entity, as applicable, which has financed**  
29 **the PACE project. If any solar renewable energy certificates or**  
30 **other renewable energy certificates or credits are assigned or**  
31 **transferred to a municipality, county, county improvement**  
32 **authority, other public entity, or private entity, the municipality,**  
33 **county, county improvement authority, other public entity, or**  
34 **private entity is authorized to sell, grant, assign, convey or**  
35 **otherwise dispose of its interest in the certificates or credits to repay**  
36 **the bonds or obligations and the project costs. 【The Director of**  
37 **Local Government Services in the Department of Community**  
38 **Affairs shall coordinate efforts with the Board of Public Utilities to**  
39 **ensure that the amount of financing made available by local**  
40 **programs authorized pursuant to this act is in accordance with limits**  
41 **set from time to time by the Board of Public Utilities in order to**  
42 **ensure that local programs further the goals of the Office of Clean**  
43 **Energy in the Board of Public Utilities.**

44       b. As used in this section,

45       "solar renewable energy certificate" shall have the same meaning  
46 as set forth in section 3 of P.L.1999, c.23 (C.48:3-51).】

47 (cf: P.L.2011, c.187, s.2)

1       5. Section 3 of P.L.2011, c.187 (C.40:56-13.2) is amended to  
2 read as follows:

3       3. a. **【**Upon application to and approval by the Director of  
4 Local Government Services in the Department of Community  
5 Affairs, the governing body of a municipality may establish the  
6 amounts of money to be expended by the municipality for the  
7 improvements authorized in sections 1 and 2 of P.L.2011, c.187  
8 (C.40:56-1.4 and C.40:56-13.1). Any amount so appropriated may  
9 be raised by the issuance of clean energy special assessment bonds  
10 by the municipality. In making the appropriation, the governing  
11 body may designate the particular projects to be financed to which  
12 the moneys shall be applied.**】** Notwithstanding any provision of  
13 chapter 56 of Title 40 of the Revised Statutes (R.S.40:56-1 et seq.),  
14 or any other law to the contrary, a municipality shall follow the  
15 following process to establish and implement a PACE program:

16       (1) A municipality may adopt an ordinance pursuant to  
17 R.S.40:49-2 to establish a PACE program. A municipal ordinance  
18 establishing a PACE program may provide for eligibility  
19 requirements for participation in the program and project  
20 development guidelines for PACE projects.

21       (2) The municipal ordinance shall establish a form of special  
22 assessment agreement to be entered into with PACE program  
23 participants, and identify whether the PACE program will be  
24 implemented, financed, and managed by the municipality, county,  
25 or by a county improvement authority, or by another public entity  
26 or private entity.

27       (3) The municipal ordinance shall prescribe criteria for  
28 participation in the PACE program at the time of the initial  
29 financing, which criteria shall include, at a minimum, the following:  
30 (a) that PACE financing recipients are either the legal owners of the  
31 underlying property or provide the written consent of the legal  
32 owners of the underlying property, are current on mortgage and  
33 property tax payments with respect to the underlying property, and  
34 are not the subject of a default or in bankruptcy proceedings, and  
35 (b) an appropriate ratio of the assessment to the value of the  
36 property, but in no circumstance may the combination of a PACE  
37 financing and the existing loan-to-value ratio on a property exceed  
38 90 percent of the appraised value of the property including the  
39 value of the PACE project. The municipal ordinance shall also  
40 require that an appraisal shall be required if one is not conducted by  
41 the lender for the PACE project. The ordinance may establish  
42 standards for the maximum amount, or duration of PACE special  
43 assessments, or both, but in no event shall the maximum duration of  
44 a PACE special assessment exceed 30 years.

45       (4) The municipal ordinance shall require that a disclosure form  
46 summarizing PACE financing risks provided by the PACE program  
47 administrator and the lender shall be signed by the owner of each



- 1 property. The disclosure form shall include, but need not be limited  
2 to, the following information:
- 3 (a) risks from incorrect or defective improvement design or  
4 construction of the PACE project;
  - 5 (b) risk of foreclosure for failure to pay the special assessment;
  - 6 (c) imposition of charges or other enforcement for delinquent  
7 PACE special assessment payments in the same manner as  
8 delinquent real estate taxes;
  - 9 (d) lack of guarantee of energy savings from the PACE project;
  - 10 (e) likelihood that completed PACE projects may require  
11 ongoing maintenance to meet performance targets;
  - 12 (f) probability that changes in property occupancy or energy  
13 costs may affect energy savings expected from the project;
  - 14 (g) lack of guarantee by the PACE program or PACE program  
15 administrator of availability of local, State, or federal tax credits or  
16 other incentives; and
  - 17 (h) amount of additional fees for actual municipal costs that will  
18 be added to the PACE special assessment.
- 19 (5) The municipal ordinance shall also require that the PACE  
20 program include the following consumer protection provisions:
- 21 (a) the authority of the property owner to cancel the PACE  
22 contract within three business days of signing it;
  - 23 (b) a requirement to provide information to the property owner  
24 on the total cost of the PACE project for the life of the agreement  
25 including interest or fees to be paid, total number of payments,  
26 payment frequency, amount of each payment, and warranty or  
27 maintenance obligations; and
  - 28 (c) a prohibition restricting specific monetary or percentage  
29 estimates on property value changes as a result of the PACE  
30 project.
- 31 b. **【Clean energy special assessments and bonds issued to**  
32 **finance them shall be issued and shall be generally subject to**  
33 **R.S.40:56-21 et seq., as the director shall determine to be**  
34 **applicable.】 The amount of a PACE special assessment shall be a**  
35 **specific amount, not to exceed the project costs of the PACE**  
36 **project. The specific amount of a PACE special assessment, which**  
37 **shall be consented to by the property owner by its execution of a**  
38 **special assessment agreement in the form promulgated by the**  
39 **municipality, shall be deemed the benefit conferred with respect to**  
40 **the property and shall be in lieu of the amount being determined by**  
41 **any other procedures contained in this Title otherwise applicable to**  
42 **determining the actual benefit conferred on the property. No other**  
43 **confirmation or determination of the amount of the PACE special**  
44 **assessment, including, but not limited to the procedure set forth at**  
45 **R.S.40:56-30, shall be required.**
- 46 c. **【The director is authorized and empowered to take such**  
47 **action as deemed necessary and consistent with the intent of this act**  
48 **to implement its provisions.】 Subject to the written consent of**

1 existing mortgage holders, a PACE special assessment shall be a  
2 single, continuous first lien on the property against which the PACE  
3 special assessment agreement is recorded, on and after the date of  
4 recordation of the agreement. Upon recordation of the PACE  
5 special assessment agreement in the land records of the county in  
6 which the property is located, the lien thereof shall be perfected for  
7 all purposes in accordance with law and the lien shall be a  
8 continuous first lien upon the real estate described in the  
9 assessment, paramount to all prior or subsequent alienations and  
10 descents of such real estate or encumbrances thereon, except  
11 subsequent taxes or assessments, without any additional notice,  
12 recording, filing, continuation filing or action, until payment in full  
13 of the PACE special assessment, notwithstanding any mistake in the  
14 name or names of any owner or owners, or any omission to name  
15 any owner or owners who are unknown, and notwithstanding any  
16 lack of form therein, or in any other proceeding which does not  
17 impair the substantial rights of the owner or owners or other person  
18 or persons having a lien upon or interest in any such real estate.  
19 Any confirmation of the amount of the assessment by the governing  
20 body or by the court shall be considered as determining the amount  
21 of the existing lien and not as establishing the lien. All assessments  
22 shall be presumed to have been regularly assessed and confirmed  
23 and every assessment or proceeding preliminary thereto shall be  
24 presumed to have been regularly made or conducted until the  
25 contrary be shown. A PACE special assessment shall not be  
26 considered an "equivalent consensual security interest" for the  
27 purposes of the "New Jersey Residential Mortgage Lending Act,"  
28 sections 1 through 39 of P.L.2009, c.53 (C.17:11C-51 et seq.).  
29 PACE special assessments shall be treated as municipal liens rather  
30 than contractual liens for all purposes of law.

31 d. The funds to implement a PACE project may be disbursed to  
32 the property owner at execution of the special assessment  
33 agreement, or may be disbursed in installments over time. Such  
34 funds shall not constitute public funds, and shall not be subject to  
35 the laws governing public funds, including but not limited to laws  
36 regarding the receipt, expenditure, deposit, investment or  
37 appropriation of the same. PACE projects shall not be considered  
38 "facilities" or "public facilities," within the meaning of the "county  
39 improvement authorities law," P.L.1960, c.183 (C.40:37A-44 et  
40 seq.). Payments of PACE special assessments shall be due on  
41 February 1, May 1, August 1 and November 1 in each year, and  
42 shall commence as set forth in the PACE special assessment  
43 agreement. To the extent that upon completion of the PACE  
44 project, funds remain which have not been disbursed to the property  
45 owner for a PACE project, those funds on hand shall be used to  
46 reduce the amount of the PACE special assessment.

47 e. Except as provided in subsection g. of this section, if any  
48 payment of a PACE special assessment is not made within 10 days

1 after the time when that payment shall have become due, or later,  
2 consistent with any grace period provided or extended by a  
3 municipality for the payment of property tax bills, interest thereon  
4 shall be imposed at the same rate as may be imposed upon unpaid  
5 property taxes in the municipality, and collected and enforced in the  
6 same manner as unpaid property taxes, including by accelerated tax  
7 sale if the municipality shall enforce collection of its unpaid  
8 property taxes through accelerated tax sale. However, the balance  
9 due on PACE special assessments shall not be subject to  
10 acceleration in the event of a default in payment. Notwithstanding  
11 any other provision of law, in the event that any lien on the property  
12 shall be exposed to tax sale, pursuant to the "tax sale law,"  
13 R.S.54:5-1 et seq., and any such lien is struck off and sold to the  
14 municipality, the PACE special assessment shall survive any  
15 subsequent action to foreclose the right of redemption and continue  
16 as a first lien upon the real estate described in the assessment,  
17 paramount to all prior or subsequent alienations and descents of  
18 such real estate or encumbrances thereon, except subsequent taxes  
19 or assessments, and provided that, notwithstanding the  
20 municipality's obligations pursuant to section 1 of P.L.1942, c.54  
21 (C.54:5-53.1), while the municipality holds such lien or owns such  
22 property, the municipality shall not be responsible for or required to  
23 make any payment in furtherance of or to satisfy any such PACE  
24 special assessment.

25 f. PACE special assessments may be assigned directly by the  
26 municipality, and any assignee thereof, as security for the  
27 repayment of:

28 (1) bonds or other obligations issued by the municipality, county  
29 or the county improvement authority to finance the PACE projects,  
30 and

31 (2) if a PACE project is financed by a public entity or private  
32 entity, any obligations of a property owner with respect to such  
33 PACE project to such private entity or public entity, or any assignee  
34 thereof.

35 Notwithstanding any law to the contrary, the assignment shall be  
36 an absolute assignment of all of the municipality's right, title and  
37 interest in and to the PACE special assessment, along with the  
38 rights and remedies provided to the municipality under the special  
39 assessment agreement, including, but not limited to, the right to  
40 direct the collection of payments due. PACE special assessments  
41 assigned as provided hereunder shall not be included in the general  
42 funds of the municipality, or be subject to any laws regarding the  
43 receipt, deposit, investment or appropriation of public funds, and  
44 shall retain such status notwithstanding enforcement of the  
45 assessment by the municipality or assignee as provided herein. In  
46 the case of a municipality which is otherwise subject to tax or  
47 revenue sharing pursuant to law and which assigns PACE special  
48 assessments as set forth in this section, such PACE special

1 assessments shall not be considered part of the tax or revenue  
2 sharing formula or calculation of municipal revenues for the  
3 purpose of determining whether that municipality is obligated to  
4 make payment to, or receive a credit from, any tax sharing or  
5 revenue sharing pool.

6 g. Notwithstanding any other law to the contrary, in any  
7 foreclosure action due to nonpayment or late payment of a PACE  
8 special assessment for property in the PACE program, service of the  
9 complaint on all parties shall be made by personal service, hand-  
10 delivered by the sheriff or personal process server, and the  
11 procedure for obtaining a final judgment shall conform to the  
12 procedures and requirements of the In Personam foreclosure  
13 process.

14 (cf: P.L.2011, c.187, s.3)

15

16 6. Section 11 of P.L.1960, c.183 (C.40:37A-54) is amended to  
17 read as follows:

18 11. The purposes of every authority shall be (a) provision within  
19 the county or any beneficiary county of public facilities for use by  
20 the State, the county or any beneficiary county, or any municipality  
21 in any such county, or any two or more or any subdivisions,  
22 departments, agencies or instrumentalities of any of the foregoing  
23 for any of their respective governmental purposes, (b) provision  
24 within the county or any beneficiary county of public facilities for  
25 use as convention halls, or the rehabilitation, improvement or  
26 enlargement of any convention hall, including appropriate and  
27 desirable appurtenances located within the convention hall or near,  
28 adjacent to or over it within boundaries determined at the discretion  
29 of the authority, including but not limited to office facilities,  
30 commercial facilities, community service facilities, parking  
31 facilities, hotel facilities and other facilities for the accommodation  
32 and entertainment of tourists and visitors, (c) provision within the  
33 county or any beneficiary county of structures, franchises,  
34 equipment and facilities for operation of public transportation or for  
35 terminal purposes, including development and improvement of port  
36 terminal structures, facilities and equipment for public use in  
37 counties in, along or through which a navigable river flows, (d)  
38 provision within the county or any beneficiary county of structures  
39 or other facilities used or operated by the authority or any  
40 governmental unit in connection with, or relative to development  
41 and improvement of, aviation for military or civilian purposes,  
42 including research in connection therewith, and including structures  
43 or other facilities for the accommodation of passengers, (e)  
44 provision within the county or any beneficiary county of a public  
45 facility for a combination of governmental and nongovernmental  
46 uses; provided that not more than 50% of the usable space in any  
47 such facility shall be made available for nongovernmental use under  
48 a lease or other agreement by or with the authority, (f) acquisition

1 of any real property within the county or any beneficiary county,  
2 with or without the improvements thereof or thereon or personal  
3 property appurtenant or incidental thereto, from the United States of  
4 America or any department, agency or instrumentality heretofore or  
5 hereafter created, designated or established by or for it, and the  
6 clearance, development or redevelopment, improvement, use or  
7 disposition of the acquired lands and premises in accordance with  
8 the provisions and for the purposes stated in **[this act]** the "county  
9 improvement authorities law," P.L.1960, c.183 (C.40:37A-44 et  
10 seq.), including the construction, reconstruction, demolition,  
11 rehabilitation, conversion, repair or alteration of improvements on  
12 or to said lands and premises, and structures and facilities incidental  
13 to the foregoing as may be necessary, convenient or desirable, (g)  
14 acquisition, construction, maintenance and operation of garbage and  
15 solid waste disposal systems for the purpose of collecting and  
16 disposing of garbage, solid waste or refuse matter, whether owned  
17 or operated by any person, the authority or any other governmental  
18 unit, within or without the county or any beneficiary county, (h) the  
19 improvement, furtherance and promotion of the tourist industries  
20 and recreational attractiveness of the county or any beneficiary  
21 county through the planning, acquisition, construction,  
22 improvement, maintenance and operation of facilities for the  
23 recreation and entertainment of the public, which facilities may  
24 include, without being limited to, a center for the performing and  
25 visual arts, (i) provision of loans and other financial assistance and  
26 technical assistance for the construction, reconstruction, demolition,  
27 rehabilitation, conversion, repair or alteration of buildings or  
28 facilities designed to provide decent, safe and sanitary dwelling  
29 units for persons of low and moderate income in need of housing,  
30 including the acquisition of land, equipment or other real or  
31 personal properties which the authority determines to be necessary,  
32 convenient or desirable appurtenances, all in accordance with the  
33 provisions of this act, as amended and supplemented, (j) planning,  
34 initiating and carrying out redevelopment projects for the  
35 elimination, and for the prevention of the development or spread of  
36 blighted, deteriorated or deteriorating areas and the disposition, for  
37 uses in accordance with the objectives of the redevelopment project,  
38 of any property or part thereof acquired in the area of such project,  
39 (k) any combination or combinations of the foregoing or following,  
40 and (l) subject to the prior approval of the Local Finance Board, the  
41 planning, design, acquisition, construction, improvement,  
42 renovation, installation, maintenance and operation of facilities or  
43 any other type of real or personal property within the county for a  
44 corporation or other person organized for any one or more of the  
45 purposes described in subsection a. of N.J.S.15A:2-1 except those  
46 facilities or any other type of real or personal property which can be  
47 financed pursuant to the provisions of P.L.1972, c.29 (C.26:2I-1 et  
48 seq.) as amended. A county improvement authority shall also have

1 as its purpose the pooling of loans for any local governmental units  
2 within the county or any beneficiary county that are refunding  
3 bonds in order to achieve more favorable interest rates and terms  
4 for those local governmental units. A county improvement  
5 authority shall also have as its purpose the implementation,  
6 management, oversight, administration, and financing of a PACE  
7 program, as defined in section 2 of P.L. , c. (C. ) (pending  
8 before the Legislature as this bill).  
9 (cf: P.L.2002, c.42, s.8)

10

11 7. Section 12 of P.L.1960, c.183 (C.40:37A-55) is amended to  
12 read as follows:

13 12. Every authority shall be a public body politic and corporate  
14 constituting a political subdivision of the State established as an  
15 instrumentality exercising public and essential governmental  
16 functions to provide for the public convenience, benefit and welfare  
17 and shall have perpetual succession and, for the effectuation of its  
18 purposes, have the following additional powers:

19 (a) To adopt and have a common seal and to alter the same at  
20 pleasure;

21 (b) To sue and be sued;

22 (c) To acquire, hold, use and dispose of its facility charges and  
23 other revenues and other moneys;

24 (d) To acquire, rent, hold, use and dispose of other personal  
25 property for the purposes of the authority;

26 (e) Subject to the provisions of section 26 of **[this act]**  
27 P.L.1960, c.183 (C.40:37A-69), to acquire by purchase, gift,  
28 condemnation or otherwise, or lease as lessee, real property and  
29 easements or interests therein necessary or useful and convenient  
30 for the purposes of the authority, whether subject to mortgages,  
31 deeds of trust or other liens or otherwise, and to hold and to use the  
32 same, and to dispose of property so acquired no longer necessary  
33 for the purposes of the authority; provided that the authority may  
34 dispose of such property at any time to any governmental unit or  
35 person if the authority shall receive a leasehold interest in the  
36 property for such term as the authority deems appropriate to fulfill  
37 its purposes;

38 (f) Subject to the provisions of section 13 of **[this act]**  
39 P.L.1960, c.183 (C.40:37A-56), to lease to any governmental unit  
40 or person, all or any part of any public facility for such  
41 consideration and for such period or periods of time and upon such  
42 other terms and conditions as it may fix and agree upon;

43 (g) To enter into agreements to lease, as lessee, public facilities  
44 for such term and under such conditions as the authority may deem  
45 necessary and desirable to fulfill its purposes, and to agree,  
46 pursuant thereto, to be unconditionally obligated to make payments  
47 for the term of the lease, without set-off or counterclaim, whether or  
48 not the public facility is completed, operating or operable, and

1 notwithstanding the destruction of, damage to, or suspension,  
2 interruption, interference, reduction or curtailment of the  
3 availability or output of the public facility to which the agreement  
4 applies;

5 (h) To extend credit or make loans to any governmental unit or  
6 person for the planning, design, acquisition, construction, equipping  
7 and furnishing of a public facility, upon the terms and conditions  
8 that the loans be secured by loan and security agreements,  
9 mortgages, leases and other instruments, the payments on which  
10 shall be sufficient to pay the principal of and interest on any bonds  
11 issued for the purpose by the authority, and upon such other terms  
12 and conditions as the authority shall deem reasonable;

13 (i) Subject to the provisions of section 13 of **[this act]**  
14 P.L.1960, c.183 (C.40:37A-56), to make agreements of any kind  
15 with any governmental unit or person for the use or operation of all  
16 or any part of any public facility for such consideration and for such  
17 period or periods of time and upon such other terms and conditions  
18 as it may fix and agree upon;

19 (j) (1) To borrow money and issue negotiable bonds or notes or  
20 other obligations and provide for and secure the payment of any  
21 bonds and the rights of the holders thereof, and to purchase, hold  
22 and dispose of any bonds;

23 (2) To issue bonds, notes or other obligations to provide funding  
24 **[to a municipality that finances the purchase and installation of**  
25 **renewable energy systems and energy efficiency improvements]** for  
26 the implementation of PACE projects by property owners as  
27 provided in section 2 of P.L.2011, c.187 (C.40:56-13.1), and to  
28 manage, oversee, administer, finance, or implement, or any  
29 combination thereof, all or any part of a PACE program pursuant to  
30 subsection b. of section 2 of P.L.2011, c.187 (C.40:56-13.1);

31 (k) To apply for and to accept gifts or grants of real or personal  
32 property, money, material, labor or supplies for the purposes of the  
33 authority from any governmental unit or person, and to make and  
34 perform agreements and contracts and to do any and all things  
35 necessary or useful and convenient in connection with the  
36 procuring, acceptance or disposition of such gifts or grants;

37 (l) To determine the location, type and character of any public  
38 facility and all other matters in connection with all or any part of  
39 any public facility which it is authorized to own, construct,  
40 establish, effectuate or control;

41 (m) To make and enforce bylaws or rules and regulations for the  
42 management and regulation of its business and affairs and for the  
43 use, maintenance and operation of any public facility, and to amend  
44 the same;

45 (n) To do and perform any acts and things authorized by **[this**  
46 **act]** the "county improvement authorities law," P.L.1960, c.183  
47 (C.40:37A-44 et seq.), under, through or by means of its own

1 officers, agents and employees, or by contract with any  
2 governmental unit or person;

3 (o) To acquire, purchase, construct, lease, operate, maintain and  
4 undertake any project and to fix and collect facility charges for the  
5 use thereof;

6 (p) To mortgage, pledge or assign or otherwise encumber all or  
7 any portion of its revenues and other income, real and personal  
8 property, projects and facilities for the purpose of securing its  
9 bonds, notes and other obligations or otherwise in furtherance of the  
10 purpose of **【this act】** the "county improvement authorities law,"  
11 P.L.1960, c.183 (C.40:37A-44 et seq.);

12 (q) To extend credit or make loans to redevelopers for the  
13 planning, designing, acquiring, constructing, reconstructing,  
14 improving, equipping and furnishing any redevelopment project or  
15 redevelopment work;

16 (r) To conduct examinations and investigations, hear testimony  
17 and take proof, under oath at public or private hearings of any  
18 material matter, require the attendance of witnesses and the  
19 production of books and papers and issue commissions for the  
20 examination of witnesses who are out of the State, unable to attend,  
21 or excused from attendance;

22 (s) To authorize a committee designated by it consisting of one  
23 or more members, or counsel, or any officer or employee to conduct  
24 any such investigation or examination, in which case such  
25 committee, counsel, officer or employee shall have power to  
26 administer oaths, take affidavits and issue subpoenas or  
27 commissions;

28 (t) To enter into any and all agreements or contracts, execute  
29 any and all instruments, and do and perform any and all acts or  
30 things necessary, convenient or desirable for the purposes of the  
31 authority or to carry out any power expressly given in **【this act】** the  
32 "county improvement authorities law," P.L.1960, c.183 (C.40:37A-  
33 44 et seq.), subject to the "Local Public Contracts Law," P.L.1971,  
34 c.198 (C.40A:11-1 et seq.); and

35 (u) To pool loans for any local governmental units within the  
36 county or any beneficiary county that are refunding bonds and do  
37 and perform any and all acts or things necessary, convenient or  
38 desirable for the purpose of the authority to achieve more favorable  
39 interest rates and terms for those local governmental units.

40 (cf: P.L.2011, c.187, s.4)

41

42 8. This act shall take effect immediately.

43

44

45

#### STATEMENT

46

47 This bill authorizes municipalities to provide for public or private  
48 financing of (1) renewable energy systems, energy produced by such



1 systems, energy efficiency improvements, energy storage, water  
2 conservation, storm shelter construction, and flood and hurricane  
3 resistance projects permanently affixed to each property, and (2)  
4 microgrids and district heating and cooling systems, which are not  
5 affixed to each property, provided that the property owner's  
6 participation contractually continues for the duration of the special  
7 assessment. These projects would be financed by voluntary special  
8 assessments on real property, thereby expanding the "clean energy  
9 special assessment," established by P.L.2011, c.187 (C.40:56-1.4 et  
10 al.), and renaming it the "PACE special assessment," using the  
11 acronym for the term "property assessed clean energy." Under the bill,  
12 owners of industrial, agricultural, commercial, residential property  
13 with five or more dwelling units, and property owned by a tax-exempt  
14 or nonprofit entity such as a school, hospital, institution of higher  
15 education, or religious institution may participate in the program.

16 Under current law, the governing body of a municipality, upon  
17 application to and approval by the Director of the Division of Local  
18 Government Services in the Department of Community Affairs, may  
19 undertake the financing of the purchase and installation of renewable  
20 energy systems and energy efficiency improvements made by property  
21 owners. By ordinance, the municipality may provide for a "clean  
22 energy special assessment" to be imposed on those properties when the  
23 property owner has requested the assessment in exchange for receiving  
24 assistance with the initial financing. The only projects currently  
25 eligible for this program are installations of renewable energy systems  
26 and energy efficiency improvements. The bill expands the class of  
27 eligible projects and the financing methods under a municipal PACE  
28 program but removes the requirement that a municipality that adopts  
29 a PACE program must obtain approval from the Director of the  
30 Division of Local Government Services.

31 This bill permits municipalities to issue bonds upon terms set forth  
32 in the ordinance. However, the bill provides that no such funding can  
33 be guaranteed by the full faith and credit of the municipality, or any  
34 other public entity. The bill also allows a municipality to designate a  
35 county, county improvement authority, another public entity, or one or  
36 more private entities to implement a PACE program on behalf of a  
37 municipality. When so designated to a public entity, the bill  
38 authorizes the public entity to designate a private entity to develop,  
39 implement, administer, or finance a PACE program. The bill provides  
40 that any agreement between a municipality, county, county  
41 improvement authority, or other public entity, and a private entity is  
42 subject to the "Local Public Contracts Law."

43 Under the bill, an entity that implements the program may issue  
44 bonds to fund PACE projects. The proceeds would be used to repay  
45 the debt service on the bonds and pay the projects' costs. The bill  
46 provides that the PACE special assessment imposed will constitute a  
47 single continuous first lien on the property paramount to all prior liens  
48 except subsequent taxes or assessments. If payment of the special

1 assessment is not made, it is treated in the same manner as unpaid  
2 property taxes. Under the bill, the PACE special assessment may be  
3 assigned by the municipality, or other entity administering the PACE  
4 program, and the assignment transfers all of the municipality's rights,  
5 title, and interest in the PACE special assessment, as well as the rights  
6 and remedies under any special assessment agreement.

7 The bill requires that a municipal ordinance: (1) prescribe  
8 criteria for participation at the time of initial funding, including an  
9 appropriate ratio of the assessment to the value of the property; (2)  
10 require that a risk disclosure form summarizing PACE financing  
11 risks, including the risk of foreclosure, be provided to each  
12 participating property owner; and (3) require the inclusion of  
13 certain consumer protection provisions.

14 Finally, the bill would also provide for the expiration of all  
15 PACE programs 10 years after the date of enactment of the bill into  
16 law. Five years after the enactment of the bill into law, the Director  
17 of the Division of Local Government Services must prepare and  
18 transmit a report that reviews and assesses all PACE programs  
19 operating in the State.