



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: January 15, 2021

RE: **NJ ZIP, the New Jersey Zero Emission Incentive Program: Voucher Pilot for Medium Duty Zero Emission Vehicles**

REQUEST

The Members of the Board are requested to approve a \$15,750,000 zero emission medium duty vehicle voucher pilot program called NJ ZIP, the New Jersey Zero emission Incentive Program, for which the pilot will focus on the adoption and use of zero emission vehicles in the greater Newark and greater Camden areas. The pilot and related administration will be funded from New Jersey Economic Development Authority's (NJEDA) allocation of the Regional Greenhouse Gas Initiative (RGGI) auction proceeds.

In relation to this pilot program, the Board is asked to approve granting delegated authority to:

- The CEO to, based upon program demand reviewed at 3-month intervals, (i) shift funding allocations, (ii) adjust voucher amounts, (iii) select additional eligible communities, and (iv) expand the pilot program to a maximum of \$25 million using RGGI funds;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to approve voucher Applicants, Vendors, and vehicles as eligible, as determined by an automated process or through a manual review;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to waive half the application fee for Applicants upon demonstration by the Applicant that the imposition of the fee would propose undue financial hardship, as determined by an automated process or through manual review;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to, upon recommendation of the reviewing officer, decline voucher eligibility based solely on non-discretionary reasons, as determined by an automated process or through a manual review;

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- In connection with any appeal from declination based solely on non-discretionary reasons, the CEO or SVP of Economic Transformation to designate one or more Hearing Officers who have not previously been directly involved in the eligibility determination, to prepare a Final Administrative Decision. The Final Administrative Decision must be approved by a Senior Vice President, Executive Vice President, or Vice President, upon recommendation of the Hearing Officer

OVERVIEW

NJ ZIP pilot will be structured as a first-come, first-serve voucher program. It will be focused on incentivizing the adoption of medium-duty zero emission vehicles (ZEV) operating within NJ communities disproportionately impacted by emissions, with two overburdened communities (as defined by NJ P.L.2020, c.92, and which, for the purposes of this pilot, is used interchangeably with the term “environmental justice communities” specified in the RGGI Strategic Funding Plan) selected for this pilot: greater Newark area and greater Camden area. The pilot program will allow a New Jersey-registered for-profit business or a New Jersey non-profit business or institution (“Applicant”) to reserve voucher funding for eligible medium-duty ZEV for commercial, industrial, or institutional use, and to redeem the applicable voucher or provide it to an eligible vendor after proof of registration of the eligible vehicle. The pilot program will have eligibility requirements for the Applicant, the vehicle purchased, and the vehicle seller/manufacturer (“Vendor”).

The primary goals of this pilot program are to:

- 1) Accelerate the adoption and use of medium duty zero-emission vehicles within New Jersey;
- 2) Reduce emissions within the pilot overburdened communities, greater Newark and greater Camden
- 3) Allow NJEDA to determine and stimulate market-readiness, assess effectiveness of funding levels and program design, and test methodologies for measuring economic impact of such adoption.

Based on the results of the pilot program, a longer-term program with expanded eligibility may be proposed.

For the purposes of this pilot, the greater Camden and greater Newark areas are defined as the overburdened communities within or intersected by a circle with a 10-mile radius centered in Camden or Newark, respectively. Specifically, the eligible municipalities within each area are:

- **Greater Camden area:** Bellmawr, Camden, Cherry Hill, Cinnaminson, Collingswood, Delran, Deptford, Gloucester, Lawnside, Lindenwold, Magnolia, Maple Shade, Merchantville, Mount Ephraim, Mount Laurel, Palmyra, Paulsboro, Pennsauken, Riverside, Somerdale, Stratford, Voorhees, Washington, West Deptford, Westville, Woodbury, Woodlyne
- **Greater Newark area:** Bayonne, Belleville, Bloomfield, Carlstadt, Carteret, Clark, Clifton, Cranford, East Newark, East Orange, East Rutherford, Elizabeth, Glenridge, Guttenberg, Harrison, Hillside, Hoboken, Irvington, Jersey City, Kearney, Kenilworth, Linden, Little Falls, Livingston, Lyndhurst, Maplewood, Millburn, Montclair, Moonachie, Newark, North Arlington, North Bergen, Nutley, Orange, Passaic, Rahway, Roselle, Roselle Park, Rutherford, Secaucus, South

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Orange, Springfield, Summit, Union City, Verona, Wallington, Weehawken, West New York, West Orange, Winfield, Woodridge

The greater Camden and greater Newark areas were selected based on a quantitative analysis, considering the following criteria:

- percentage of a municipality's population meeting the NJ P.L.2020, c.92 overburdened community definition;
- municipal population density, used as a proxy for traffic density (which is reported at the county level); and
- the municipal revitalization index (MRI) rank and impacted community population.

The overburdened community criteria had the majority of the weight in the selection, as New Jersey's definition adopted to identify environmental justice communities; followed by population density as the traffic density-proxy, as this program is targeting emissions related to transportation; and finally, leveraging the MRI data to ensure the pilot focused support for communities in the most economic need. COVID-related economic impacts were also considered, but did not affect the selection of the two pilot communities. Based on this ranking analysis, communities surrounding both Newark and Camden were found to be the highest ranked candidates for the pilot program, while recognizing opportunities to expand support state-wide for ZEV adoption if the pilot is successful.

Through the NJ ZIP pilot program, NJEDA will:

- Subsidize the higher upfront cost of zero emission vehicles, as compared to the upfront costs of their conventional gasoline or diesel-powered alternatives;
- Accelerate the adoption of medium-duty zero emission vehicles for commercial, industrial, or institutional use. For the purposes of this program, medium duty vehicles are defined as Class 2b through Class 6 Vehicles, with a Gross Vehicle Weight Rating (GVWR) of 8,501 – 26,000 lbs.;
- Issue an estimated 100 – 300 vouchers to Applicants operating or registering vehicles in the pilot communities;
- Foster the growth of the commercial-use ZEV ecosystem and value chain within the State; and
- Support the State's goal of transitioning 75% of medium and 50% of heavy- duty vehicles to zero emission by 2050 using an incentive program, which is specified within the Energy Master Plan (Goal 1.1.8) as NJEDA's responsibility.
- Report on DEP-defined RGGI metrics, including assessment of avoided emissions and co-benefits.

NJEDA will implement and administer this program, using 2% of the pilot program budget drawn from the RGGI allocation, as permitted by the RGGI statute, "for administrative costs incurred in the administration of programs to reduce the emissions of greenhouse gases". NJEDA Staff will be responsible for reviewing applications, maintaining a program website, and providing educational resources, such as FAQs and webinars, to Vendors and Applicants when needed.

BACKGROUND***The Regional Greenhouse Gas Initiative (RGGI) & zero emission transportation***

On January 29, 2018, Governor Murphy signed Executive Order 7 (EO 7), instructing state government agencies to return New Jersey to full participation in the Regional Greenhouse Gas Initiative (RGGI) as quickly as possible.¹ RGGI is a multi-state, market-based program that establishes a regional cap on carbon dioxide (CO₂) emissions from the electric power generation sector allowing for auctioning of emissions rights, traditionally referred to as a “cap-and-trade” program.

Through its participation in the quarterly RGGI auction in 2020 New Jersey received funding that totaled approximately \$94 million, and over the next two years, New Jersey expects to receive at least an additional \$160 million through the RGGI auctions. The State plans to deploy those funds within four initiative categories:

1. Catalyze Clean, Equitable Transportation;
2. Promote Blue Carbon in Coastal Habitats;
3. Enhance Forests and Urban Forests; and,
4. Create a New Jersey Green Bank.

Programs and projects within these initiatives must demonstrate net emission reductions and economic co-benefits, as mandated in the RGGI Strategic Funding Plan: Years 2020 through 2022, released in April 2020.

New Jersey’s RGGI funds allocation is governed by the Global Warming Solutions Fund Act (P.L. 2008, c. 340). By law, three state agencies (NJEDA, the New Jersey Department of Environmental Protection (NJDEP), and the New Jersey Board of Public Utilities (NJBPU)) are allocated RGGI proceeds, with NJEDA receiving 60% (focus area: commercial, institutional, and industrial entities), and NJBPU and DEP each receiving 20% (focus areas, respectively: low income and moderate income residential; and local government, forests, and tidal marshes). These funds must be appropriated each year. For Fiscal Year 2021, the Appropriations Act appropriated the RGGI funds to their statutorily dedicated purposes. Thus, for FY 21, EDA expects to receive approximately \$56 million in RGGI funds from the 2020 RGGI auctions.

Transportation accounts for 42% of greenhouse gas emissions in the State, more than twice that of the second largest source, electricity generation (18%). Fossil fuel-powered transportation is also the leading source of air pollutants. Further, although medium and heavy-duty vehicles (MHDVs), Class 2b – Class 8 inclusive, represent fewer than 20% of the vehicles on the road, they contribute the majority of New Jersey’s transport-sector emissions. Transitioning to zero-emission MHDVs is necessary to reduce these societal costs and to advance environmental justice (i.e., the health and quality of life outcomes for communities disproportionately impacted by pollutants). It aligns with the State’s Global Warming Response Act goal of an 80% reduction in New Jersey’s greenhouse gas emissions by 2050 in comparison to 2006 levels and, at the same time can increase the transportation sector’s contribution to the goal of making New Jersey’s economy both stronger and fairer.

¹ Executive Order 7 (EO 7) is available at: <https://nj.gov/infobank/eo/056murphy/pdf/EO-7.pdf>

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As such, alongside NJBPU and NJDEP, a substantial majority of NJEDA’s RGGI funding during the first three years of the State’s renewed RGGI participation will be focused on programs and projects that support the deployment of zero emission MHDVs, with a focus in and around communities disproportionately impacted by emissions.

In August 2020, to enable this work, the Board approved hiring a consultant, Guidehouse, to support the development of a data-driven MHDV strategy for the State with the goals of increasing MHDV adoption, decreasing emissions, improving environmental justice, and foster the creation of new jobs and investments in New Jersey. The voucher pilot program proposed herein is the very first initiative of that holistic cross-Agency approach, intended to lay the groundwork and stimulate the market to prepare for future programs necessary to meet the broader programmatic goals.

Voucher incentive programs

Voucher programs are designed to reduce the higher upfront capital cost of a ZEV in comparison to an internal combustion engine alternative. By providing vouchers that bring ZEV closer to cost parity with traditional vehicles, ZEV become an affordable option for owners and operators, including the benefits of ZEV’s lower cost over their lifetimes. In a typical program, once the new vehicle is delivered to the end user, and all program requirements, which vary from program to program, are met by the applicable parties, the voucher can be redeemed. While rebate programs are often utilized to provide post-purchase incentives for light-duty vehicles, such as the NJBPU’s Charge Up New Jersey program, voucher programs are generally found to be more effective for medium and heavy-duty vehicles, as they allow purchasers to reserve funds and can defray the higher purchase price upfront. Voucher programs for low emission medium- and heavy- duty vehicles have been proposed or piloted in several US locations, including Massachusetts, Maryland, Oregon, and Chicago. Currently, however, only two other states, California and New York, have active voucher programs for medium and heavy-duty vehicles. The California and New York programs provide funding to pre-approved vendors for both zero emission vehicles and other alternative fueled vehicles that are not zero-emission, such as hybrid-electric and compressed natural gas. Learnings from these programs, including voucher values and eligibility requirements, were considered in the NJ pilot design. Further specifics on the proposed pilot program for NJ are detailed later within this document.

PROGRAM PURPOSE AND POLICY ALIGNMENT

The primary goals of this pilot program are to accelerate the adoption and use of medium-duty zero emission vehicles within New Jersey; reduce emissions within two pilot overburdened communities, the greater Newark area and greater Camden area; and to allow NJEDA to determine and stimulate market-readiness, assess effectiveness of funding levels and program design, and test methodology for measuring economic impact of such adoption. Through eligibility requirements for the Applicant, vehicle, and the Vendor and in the context of a broader strategy, the pilot is being used as a vehicle to support the growth of the NJ ZEV ecosystem, with accelerated adoption of ZEVs being the first step to attracting more jobs and investment, as other zero emission MHDV programs and regulations roll out across multiple State agencies.

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Several State plans call for ZEV adoption. Governor Murphy’s 2018 Economic Development Strategic Plan, “The State of Innovation: Building a Stronger and Fairer New Jersey Economy” includes goals for innovation in clean energy and transportation, as a path to catalyze economic growth. The 2019 Energy Master Plan, which outlines the State’s goal of 100% clean energy by 2050, includes as its first strategy the reduction of energy consumption and emissions from the transportation sector, establishing as targets that by 2050, 75% of medium-duty and 50% of heavy duty vehicles be ZEV. The 2020 RGGI Strategic Funding Plan, collectively developed by NJDEP, NJBPU, and NJEDA, outlines funding priorities and metrics for ZEV adoption to support clean, equitable transportation with anticipated economic co-benefits, such as increased jobs and investment.

In addition, Governor Murphy signed the Multi-state Medium- and Heavy-Duty Zero Emission Vehicle Memorandum of Understanding in 2020, agreeing to target converting 30% of all MHDV sales to zero emission by 2030, and 100% of sales to zero emission by 2050. In each of these policies, equity in program planning, access, and impact is cited as a core pillar to meaningfully accomplish the stated goals.

Transitioning from internal combustion engine MHDVs to zero emission technologies will have a significant impact on state-wide transportation emissions and align with the above-noted policies; however, MHDV owners and operators face many barriers to EV adoption.

Beyond desktop research, NJEDA formally gathered stakeholder input on these barriers through a request for information (RFI) in July 2020 and has continued to host listening sessions and workshops with stakeholders throughout New Jersey to catalog challenges. Although there were and are many valuable and varied insights, three major themes arose:

1. Upfront cost of ZEV and related financing uncertainties are too high for near term adoption;
2. Charging infrastructure availability, costs, and related interconnection and permitting processes are too uncertain;
3. ZEV MHDV technology, knowledge, or access that meets their business or community needs is unavailable.

This pilot program primarily strives to address the first barrier for medium-duty zero emission vehicles. Medium-duty vehicles are targeted for the pilot as they comprise the largest percentage of the MHDV population and are more immediately available, as compared with the heavy-duty categories.

Additionally, this pilot is designed to ensure small businesses have access to these funds and additional incentives to support their transition to ZEV. For the purposes of this Program, a small business is defined as having 25 or fewer full time employees in total OR less than \$5M in annual revenue.

This pilot does not include direct support for charging infrastructure but will serve as a way to gather data on charging plans and needs to inform potential future support. Similarly, this program does not itself support the creation of new technologies or workforce initiatives within the state, but it will incentivize local Vendors and manufacturers and gather insights on knowledge gaps, which are critical first steps to creating a ZE MHDV knowledge hub in the State that can stimulate further growth.

This pilot alone is not sufficient to match the ambition of the State’s ZE MHDV goals, or to meaningfully address all the barriers laid out by stakeholders. It is one tool of many interlocking efforts that must be developed and deployed state-wide to serve as the foundation for New Jersey’s zero emission transportation economic evolution.

PROPOSED PROGRAM STRUCTURE & DESIGN

Pilot Program Eligibility

The NJ ZIP pilot program will provide funding for Applicants who meet a set of eligibility criteria, and whose selected vehicles, vehicle Vendors, and vehicle use case (i.e., location of operation, and use for commercial, industrial, or institutional purposes) qualify. The goal of these eligibility criteria is to simplify the program for rapid impact, deliver a targeted impact in selected overburdened communities, appeal to a wide range of fleets interested in electrification, and collect information that will inform future programs.

To be eligible, an Applicant must:

- Be a commercial, industrial, or institutional organization in New Jersey. As defined in the Global Warming Solutions Fund regulation (N.J.A.C. 7:27D-1.2), "institutional" means serving a non-profit or public purpose, such as a library, hospital, public school, institution of higher education, municipal utility, public recreation or cultural facility, or government entity. The term "government entity" includes local and municipal government entities, but for the purposes of this pilot, State government entities are not eligible.
- If a for-profit business, be registered to conduct business in NJ (as demonstrated with a business registration certificate). Non-profit businesses or institutions may be required to provide a business registration certificate or other documentation as applicable to demonstrate their NJ operations and non-profit or institutional status.
- Provide a Tax Clearance Certificate (with the application or prior to closing)
- Be in good standing with the New Jersey Department of Labor and New Jersey Department of Environmental Protection

To be eligible, Applicant’s proposed vehicle(s) must be:

- A new zero emission Class 2b – Class 6 (GVWR 8,501 lbs. – 26,000 lbs.) vehicle, used for commercial, industrial, or institutional purposes. Retrofits and repowers of pre-owned vehicles are not eligible.
 - All zero emission vehicles, defined as “a vehicle that emits no tailpipe pollutants from the onboard source of power, such as particulates, hydrocarbons, carbon monoxide, ozone, lead, and various oxides of nitrogen”, are eligible for vouchers. This includes, but is not limited to, battery-electric (BEV) and hydrogen fuel cell-electric (FCEV) vehicles.
- Purchased and registered within six months of receipt of voucher approval letter, with proof of such intent to purchase required for eligibility. An extension for up to an additional 6 months may be permitted as described below.
- Not a subject of Volkswagen (VW) Settlement funding or any other State funding for the same vehicle(s)

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- Procured from a Vendor that meets program eligibility requirements (detailed in the following section)

Note: Vehicle scrappage is not mandated by this program EXCEPT in the case that the new vehicle is replacing a vehicle model year 2009 or earlier. For consistency with prior State programs, scrappage is defined within the DEP’s VW Settlement funded grant program as “rendering the vehicle inoperable and available for recycle; at a minimum, to cut a 3-inch hole in the engine block and disable the chassis by cutting the vehicle’s frame rails complete in half”. Vehicles that are not replacements (i.e., ZEV purchased are for new use cases or to expand a fleet) or are replacing a model year 2010 or later DO NOT have to comply with scrappage requirements. If the Applicant is defined as a small business, they can receive a bonus incentive on a per-vehicle basis for scrappage, as detailed later in this section.

To be eligible, vehicle Vendor must:

- Provide proof of a minimum of 12 months of experience selling or manufacturing eligible vehicles
- Be registered, or register to conduct business in NJ prior to executing an agreement with the Authority
- Be in good standing with the New Jersey Department of Labor and New Jersey Department of Environmental Protection
- Provide a Tax Clearance Certificate (with the application or prior to closing, if voucher funds will be distributed to Vendor)
- On a per-Applicant basis, provide additional documentation, including but not limited to:
 - A link to Vendor website that indicates eligible vehicles available for sale, and their related specifications
 - A specification sheet or, if custom vehicle, specification sheets for all major components, corroborating vehicle capabilities, charging/fueling needs, design appropriate to Applicant’s planned use, and eligibility
 - Timeline and process/plans by which Vendor intends to comply with the terms of the voucher (e.g., delivery of vehicle, development of charging/fueling plans, implementation of maintenance plan, etc.) prior to expiration of voucher
- Agree to accept the Program’s voucher or voucher amount as a portion of the Applicant’s final vehicle payment, deducting the full voucher(s) amount from the upfront cost.

By accepting the voucher funding, Applicants or, where applicable, Vendors will also agree to the following terms:

- Applicant will register the vehicle in the State of New Jersey for a minimum of the three initial, continuous years AND
 - Annually operate at least 75% of vehicle miles traveled (VMT) in the State of New Jersey AND annually operate 50% or more of VMT within either the greater Newark or greater Camden area for a minimum of three continuous years from date of registration
 - OR
 - Annually operate at least 75% of vehicle miles traveled (VMT) in the State of New Jersey AND have a registration address and domicile the vehicle within either the greater Newark or greater Camden areas for a minimum of three continuous years from date of registration

- Vendors will provide
 - Certification from the Vendor that the vehicle complies with all applicable state and federal requirements for operation, including the Federal Motor Vehicle Safety Standards (FMVSS) issued by the National Highway Traffic Safety Administration (NHTSA), found in Title 49 of the Code of Federal Regulations (CFR).
 - Warranty to Applicant for the eligible vehicle, indicating at least 3 years or 50,000 miles of coverage, whichever comes first, covering, parts (at a minimum, motor, drive train, and batteries, hydrogen fuel cells, etc.) and labor.
 - In-state servicing plan for maintenance of Applicant’s vehicle(s) aligned with industry norms and current best practices implemented by or before vehicle delivery
 - Charging or fueling needs and plans to address such needs, as applicable to the technology, indicating if the applicant intends to use already available infrastructure (public or private) or including, if available, details on anticipated count, type, capacity, and location of chargers necessary for vehicle
- NJEDA’s right to audit and verify compliance with eligibility requirements post-voucher redemption, and agree to provide responses and data upon request to support such audits and verifications. For example, to verify vehicle miles traveled within the eligible pilot communities, NJEDA may request data such as but not limited to telematics, route maps, delivery histories, etc.
- Permit the use by NJEDA of Applicant, Vendor, and vehicle data and information that is provided in the application and audit process, and that is not otherwise prohibited by law, for case studies and to support the development of future versions of this program, or future alternative programs
- Commit to displaying a visual indication on the commercial vehicle that it is a ZEV and that its purchase was subsidized through this program, meeting minimum standards or as materially provided by NJEDA (e.g., a bumper sticker, placard, etc.)

Pilot Program Voucher Funding Levels

Voucher funding amounts are based on GVWR laid out in the tables below:

Table 1: Voucher Amounts

Vehicle GVWR	Vehicle Class	Voucher amount
8,501 - 10,000 lbs.	Class 2b	\$25,000
10,0001 - 14,000 lbs.	Class 3	\$55,000
14,001 - 16,000 lbs.	Class 4	\$75,000
16,001 - 19,500 lbs.	Class 5	\$85,000
19,501 - 26,000 lbs.	Class 6	\$100,000

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These voucher amounts are benchmarked against other state's current, prior, and proposed programs. These values represent, based on current range of estimated ZEV costs, approximately 75 – 110% of the incremental cost of ZEV compared to similar internal combustion engine vehicles, bringing the zero emission vehicle closer to or at upfront cost parity.

Eligible Applicants may receive increased per-vehicle voucher bonuses through documentation of any of the following:

- Small business vehicle scrappage bonus: \$2,000 per vehicle scrapped and replaced with a NJ ZIP voucher-funded ZEV
- Certified woman-, minority-, or veteran-owned business bonus: \$4,000 per vehicle
- Small business bonus: A 25% increase of the base voucher amount per vehicle.
- New Jersey manufacturing bonus: A 25% increase of base voucher amount per vehicle will be available if the Vendor can formally document (for example, but not limited to, through price sheets and hourly rates) that 25% of the cost of the vehicle is spent in NJ on labor for vehicle design, assembly, and/or manufacturing or cost of components produced in New Jersey.
- Driver readiness and education bonus: \$2,000 per vehicle; available if the Vendor provides two public training sessions (in-person, but may be web-based contingent on COVID-19 safety recommendations) per quarter in the year following Applicant voucher(s) approval, for a total of 8 sessions, including at least an overview of the technology, operation, and safety (associated with, for example, operation, charging, and/or maintenance) on two separate days, given by subject matter experts. In addition, Vendor must provide a once per quarterly opportunity in the year following Applicant voucher(s) approval for publicly available vehicle test drive or in-person vehicle viewing and demonstration within one or more of the selected pilot communities. In the case that the voucher funds have been disbursed prior to completion of this commitment, EDA will verify satisfactory completion of commitment and, if Vendor does not complete its obligation, Vendor may be required to refund the bonus funds to the voucher pool.

These bonuses may be stacked, with Applicant eligible for multiple bonus criteria.

Applicants may apply for more than one vehicle voucher within the same application. The total funding per vehicle may equal but may not exceed the cost of the vehicle. The total funding reserved for an Applicant (as determined by EIN) through vouchers inclusive of any qualifying bonuses, cannot exceed 10% of the total program voucher budget (i.e., currently, cannot exceed \$1,500,000, based on initial voucher budget), to ensure equitable distribution of resources.

Because this funding is provided through appropriations, all disbursements will be subject to appropriations and availability of funding.

Pilot Program Marketing, Promotional, Research, and Educational Activities and Funding

In addition to the voucher program itself, NJEDA will engage in related program marketing, promotion, research, and education regarding this program, using \$435,000. These activities will include several components.

First, as part of program development, NJEDA will develop a detailed go-to-market strategy and, both prior to and after program launch, conduct marketing, outreach, educational workshops, and promotional activities to encourage uptake in the Program and support the growth of the ZEV ecosystem. The costs to develop and implement this campaign strategy will be drawn from this funding.

Second, as noted as part of the voucher funding terms, NJEDA will design and may produce a visual indication of program participation (e.g., bumper sticker, placard, etc.) which will be drawn from this funding.

Third, as noted as part of the voucher funding terms, NJEDA may conduct case studies and research to support outreach and program design updates. This work will be drawn from this funding.

Fourth, as identified through the detailed go-to-market strategy development and on-going stakeholder feedback and research, additional outreach and educational support may be developed.

Pilot Program Structure and Process

Vouchers will be issued and redeemed through six steps:

1. Applicant selects an eligible Vendor and an eligible vehicle
2. Applicant and Vendor prepare and submit their respective separate applications, including proof of eligibility. If a Vendor has already been approved, the Vendor does not need to obtain a new approval unless there is a change from the prior Vendor application and approval.
3. NJEDA processes the applications and, if the Applicant, Vendor, and vehicle are eligible and funds are available, approves voucher(s), inclusive of qualifying bonuses and sends the Applicant a voucher reservation approval letter.
4. The voucher funds are reserved for six months from the date of the approval letter. During this period, the vendor and the applicant must execute their respective program agreements and submit documentation of same. Then, the vehicle must be delivered to and registered by the Applicant during this period. A voucher reservation may be renewed for one six-month extension if requested prior to expiration and will be granted based on evidence by the Applicant and Vendor of good faith efforts to deliver and register vehicle within the additional time provided.
5. Vehicle is delivered to and registered by the Applicant. Applicant submits documentation of this to NJEDA.
6. Once vehicle is delivered and registered, and all relevant program agreements are met, Applicant may provide the voucher to the Vendor or submit the voucher for funds from NJEDA with which to pay the Vendor.

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NJEDA Staff will be responsible for reviewing applications, maintaining the program website, and providing educational resources, such as FAQs and webinars, to Vendors and Applicants where needed.

Appeals

Applicants and Vendors will be able to appeal the Authority's determination of both initial eligibility and extension request eligibility. Appeals will be reviewed by a hearing officer, who will be a staff member who has not up until that point been directly involved in the eligibility determination. Funds will be set aside for the maximum amount of voucher for any appeals that are lodged with the Authority until final resolution of the appeal.

Post-eligibility audits

Staff will conduct audits to confirm that Applicant and Vendor self-certifications are accurate and commitments are upheld. In such cases where the audit reveals that the self-certification was not accurate or commitments were not upheld and this impacts eligibility, NJEDA may require, as remedy, that the funds be returned from either the Applicant or the Vendor and/or may refer these organizations to the relevant State agency for further investigation. Any intentional inaccuracies by an Applicant or Vendor in the self-certifications or failure to uphold relevant commitments by Applicant or Vendor may be considered by the Board in disqualifying the Applicant or Vendor from future contracting with or financial assistance from the Authority.

ESTIMATED BUDGET AND IMPACT

The total RGGI-funded NJ ZIP pilot program budget will be \$15,750,000.

Of the total program budget, \$15,000,000 will be reserved to fund vouchers, utilizing the following allocations:

- \$2,000,000 will be set-aside for the greater Newark area
- \$2,000,000 will be set-aside for the greater Camden area
- \$5,000,000 will be set-aside for small businesses, inclusive of the locational restrictions. Thus, a small business within the Newark area will be counted toward both the Newark area and small business set asides.

Remainder of voucher fund will be un-allocated, but within the previously defined locational requirements of greater Newark or greater Camden.

As previously noted, the total funding provided to a single applicant (as determined by EIN) through vouchers and any qualifying bonuses cannot exceed 10% of the total voucher fund budget, \$1,500,000, to ensure equitable distribution of resources.

In addition to the voucher budget, NJEDA will implement a marketing, promotional, research, and educational component with \$435,000, and use 2% (\$315,000), as authorized by the statute, of the pilot program "for administrative costs incurred in the administration of programs to reduce the emissions of greenhouse gases".

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NJEDA will charge Applicants a \$1000 fee for applying to this program; multiple vehicles can be applied for within a single application. For Applicants who demonstrate that the imposition of the fee would impose an undue financial hardship, this fee may be reduced.

Based on the pilot program voucher fund budget of \$15 million, it is anticipated that 100 - 300 vouchers will be issued for the purchase of medium duty zero-emission vehicles. As required by the RGGI Strategic Funding Plan, NJEDA will report, based on NJDEP defined metrics, calculated avoided emissions and co-benefits.

DELEGATED AUTHORITY

Beginning in July 2003 the Members of the Authority have been asked to delegate signing authority to staff on certain financing and incentive transactions, to create efficiencies for our customers and provide fluidity to our business. Delegated authority for this program is consistent with delegated authority for other programs, as the average anticipated voucher amount is approximately \$75,000 each, which would result in 200 applicants.

Specifically, for the NJ ZIP pilot program, the Board is asked to approve granting delegated authority to:

- The CEO, based upon program demand reviewed at 3-month intervals, to:
 - (i) shift funding between the set asides for the greater Camden and greater Newark areas and small businesses if funding reserved for a particular set-aside is unused and other set-asides are oversubscribed,
 - (ii) adjust voucher amounts, with ability to increase voucher amounts up to 50% if program is undersubscribed, up to total cost of vehicle, or decrease by up to 50% in the case the program is oversubscribed
 - (iii) select additional eligible municipalities by either expanding the eligible geography surrounding the pilot communities up to 10 additional miles or selecting up to three additional community areas based on the same metrics used to select the initial pilot communities
 - (iv) expand the pilot program to a maximum of \$25 million using RGGI funds, which represents approximately half of the EDA's FY2021 RGGI allocation;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s), designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors, who will be provided SOP and related training to approve voucher Applicants, Vendors, and their associated vehicles as eligible, as determined by an automated process or through a manual review.;

Memorandum – NJ ZIP, the New Jersey Zero emission Incentive Program: Voucher Pilot for Medium Duty Zero Emission Vehicles
January 15, 2021

- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to – based on the NJEDA’s general administrative regulation for application fees – waive half the application fee for Applicants upon demonstration by the Applicant that the imposition of the fee would propose undue financial hardship, as determined by an automated process or through manual review;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s), designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors, who will be provided program SOP and training to, upon recommendation of the reviewing officer, decline voucher eligibility based solely on non-discretionary reasons, as determined by an automated process or through a manual review; and
- In connection with appeals from declinations based solely on non-discretionary reasons, the CEO or SVP of Economic Transformation to designate one or more Hearing Officers who have not previously been directly involved in the eligibility determination to prepare a Final Administrative Decision based on their review and program SOP. The Final Administrative Decision must be approved by a Senior Vice President, Executive Vice President, or Vice President, upon recommendation of the Hearing Officer

If the program expands beyond the pilot stage, these delegation levels are to be revisited by the Board.

CONCLUSION

The State has ambitious goals for the transition of New Jersey’s MHDVs to zero-emission by 2050 with specific benefits to overburdened communities, and the NJ ZIP is a critical first step in this direction to support the ZEV marketplace and rapidly deploy electric MHDVs on the road. As such, the Members are requested to approve \$15,750,000 of RGGI funding for the NJ ZIP pilot program, and all the associated components, delegated authority, and processes detailed herein.

In relation to this pilot program, the Board is asked to approve granting delegated authority to:

- The CEO to, based upon program demand reviewed at 3-month intervals, (i) shift funding allocations, (ii) adjust voucher amounts, (iii) select additional eligible communities, and (iv) expand the pilot program to a maximum of \$25 million using RGGI funds;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to approve voucher Applicants, Vendors, and vehicles as eligible, as determined by an automated process or through a manual review;
- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to waive half the application fee for Applicants upon demonstration by the Applicant that the imposition of the fee would propose undue financial hardship, as determined by an automated process or through manual review;

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- The CEO, SVP of Economic Transformation, Office of Economic Transformation Directors, or Voucher Program Lead(s) designated by the CEO, SVP of Economic Transformation, or Office of Economic Transformation Directors to, upon recommendation of the reviewing officer, decline voucher eligibility based solely on non-discretionary reasons, as determined by an automated process or through a manual review;
- In connection with appeals from declinations based solely on non-discretionary reasons, the CEO or SVP of Economic Transformation to designate one or more Hearing Officers who have not previously been directly involved in the eligibility determination, to prepare a Final Administrative Decision. The Final Administrative Decision must be approved by a Senior Vice President, Executive Vice President, or Vice President, upon recommendation of the Hearing Officer



Tim Sullivan, CEO

Prepared by: Victoria Carey, Sr. Project Officer

Attachment

Exhibit A
NJ ZIP – Zero emission Incentive Program, Medium Duty Voucher Pilot Program Specifications

These specifications are provided as a summary of the NJ ZIP pilot memorandum. In the case Exhibit A does not specify details or requirements or utilizes different language from the memorandum, the memorandum takes precedence.

Funding Source	Funding for NJ ZIP (“Program”) and associated administration will be from eligible Authority funds from the Regional Greenhouse Gas Initiative (RGGI) funds.
Program Budget	\$15,750,000
Program Expiration	Program to operate on a pilot basis – funds will be committed within an estimated 12 months from acceptance of the first application or until such time that the funds are depleted.
Program Purpose	To accelerate the adoption and use of zero-emission medium-duty vehicles within New Jersey; to reduce emissions within two pilot overburdened communities, the greater Newark area and greater Camden area; and to allow NJEDA to determine and stimulate market-readiness, assess effectiveness of funding levels and program design, and test methodologies for measuring economic impact of such adoption. The pilot is being used as a vehicle to support the growth of the NJ zero emission vehicle ecosystem, with accelerated adoption of zero emission vehicles being the first step to attracting more jobs and investment, as other zero emission vehicle programs and regulations roll out across multiple State agencies.
Applicant Eligibility Requirements	To be eligible, an Applicant must be: <ul style="list-style-type: none"> • A commercial, industrial, or institutional organization • If a for-profit business, be registered to conduct business in NJ. Non-profit businesses or institutions may be required to provide a business registration certificate or other documentation as applicable to demonstrate their NJ operations and non-profit or institutional status. • In tax compliance • In good standing with the New Jersey Department of Labor and New Jersey Department of Environmental Protection .
Project / vehicle eligibility requirements	To be eligible, Applicant’s new vehicle(s) must be: <ul style="list-style-type: none"> • A new zero emission vehicle. Retrofits and repowers of vehicles already owned by the Applicant are not eligible. • Class 2b – Class 6 (GVWR 8,501 lbs – 26,000 lbs) vehicle, used for commercial, industrial, or institutional purposes • Purchased and registered within six months of receipt of voucher approval. An extension for up to an additional 6 months may be permitted, and will be reviewed on a case-by-case basis.

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NJ ZIP – Zero emission Incentive Program, Medium Duty Voucher Pilot Program Specifications

	<ul style="list-style-type: none"> • Not a subject of VW or any other State funding for the same vehicle(s) • Procured from a Vendor that meets program eligibility requirements (detailed in the following section) <p>Note: Scrappage is not required, except for vehicles that are directly replacing a vehicle which is model year 2009 or older.</p>
<p>Vendor Eligibility Requirements</p>	<p>To be accepted as an eligible Vendor, the Vendor must:</p> <ul style="list-style-type: none"> • Be registered or register to conduct business in NJ • Provide proof of a minimum of 12 months of experience selling or manufacturing eligible vehicles • Be in good standing with the New Jersey Department of Labor and New Jersey Department of Environmental Protection • Provide a Tax Clearance Certificate (with the application or prior to closing, if voucher funds will be distributed to Vendor) • On a per-Applicant basis, provide additional documentation, including but not limited to: <ul style="list-style-type: none"> ○ A link to Vendor website that indicates eligible vehicles available for sale, and their related specifications ○ A specification sheet or, if custom vehicle, specification sheets for all major components, corroborating vehicle capabilities, charging/fueling needs, design appropriate to Applicant’s planned use, and eligibility ○ Timeline and process/plans by which Vendor intends to comply with the terms of the voucher (e.g., delivery of vehicle, development of charging/fueling plans, implementation of maintenance plan, etc.) prior to expiration of voucher • Agree to accept the Program’s voucher amount as a portion of the Applicant’s final vehicle payment, deducting the full voucher(s) amount from the upfront cost.
<p>Program funding level</p>	<p>The Program will be funded for \$15,750,000, with \$750,000 reserved for Program operation and \$15,000,000 reserved to fund vouchers, utilizing the following allocations:</p> <ul style="list-style-type: none"> • \$2,000,000 will be set-aside for the greater Newark area • \$2,000,000 will be set-aside for the greater Camden area • \$5,000,000 will be set-aside for small businesses, inclusive of the locational restrictions. Thus, a small business within the Newark area will be counted toward both the Newark area and small business set asides.

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	<p>Remainder of voucher fund will be un-allocated, but within the previously defined locational requirements of greater Newark or greater Camden.</p>												
<p>Project/vehicle funding levels</p>	<p>Qualifying vehicles will be funded at the following levels:</p> <table border="1" data-bbox="662 562 1221 907"> <thead> <tr> <th>Class, GVWR (lbs)</th> <th>Voucher amount</th> </tr> </thead> <tbody> <tr> <td>Class 2b, 8,501 – 10,000 lbs</td> <td>\$25,000</td> </tr> <tr> <td>Class 3, 10,001 – 14,000 lbs</td> <td>\$55,000</td> </tr> <tr> <td>Class 4, 14,001 – 16,000 lbs</td> <td>\$75,000</td> </tr> <tr> <td>Class 5, 16,001 – 19,500 lbs</td> <td>\$85,000</td> </tr> <tr> <td>Class 6, 19,501 – 26,000 lbs</td> <td>\$100,000</td> </tr> </tbody> </table> <p>Eligible applications may receive increased per-vehicle voucher bonuses through documentation of any of the following:</p> <ul style="list-style-type: none"> • Small business vehicle scrappage bonus: \$2,000 per vehicle scrapped and replaced with a NJ ZIP voucher-funded ZEV • Certified woman-, minority-, or veteran-owned business bonus: \$4,000 per vehicle • Small business bonus: A 25% increase of the base voucher amount per vehicle. • New Jersey manufacturing bonus: A 25% increase of base voucher amount per vehicle will be available if the Vendor can formally document (for example, but not limited to, through price sheets and hourly rates) that 25% of the cost of the vehicle is spent in NJ on labor for vehicle design, assembly, and/or manufacturing or cost of components produced in New Jersey. • Driver readiness and education bonus: \$2,000 per vehicle; available if the Vendor provides two public training sessions (in-person, but may be web-based contingent on COVID-19 safety recommendations) per quarter in the year following Applicant voucher(s) approval, for a total of 8 sessions, including at least an overview of the technology, operation, and safety (associated with, for example, operation, charging, and/or maintenance) on two separate days, given by subject matter experts. In addition, Vendor must provide a once per quarterly opportunity in the year following Applicant voucher(s) approval for publicly available vehicle test drive or in-person vehicle viewing and demonstration within one or more of the selected pilot communities. In the case that the 	Class, GVWR (lbs)	Voucher amount	Class 2b, 8,501 – 10,000 lbs	\$25,000	Class 3, 10,001 – 14,000 lbs	\$55,000	Class 4, 14,001 – 16,000 lbs	\$75,000	Class 5, 16,001 – 19,500 lbs	\$85,000	Class 6, 19,501 – 26,000 lbs	\$100,000
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	<p>voucher funds have been disbursed prior to completion of this commitment, EDA will verify satisfactory completion of commitment and, if Vendor does not complete its obligation, Vendor may be required to refund the bonus funds to the voucher pool.</p> <p>These bonuses may be stacked, with Applicant eligible for multiple bonus criteria.</p> <p>Applicants may apply for more than one vehicle voucher within the same application. The total funding per vehicle may equal but may not exceed the cost of the vehicle. The total funding reserved for an Applicant (as determined by EIN) through vouchers inclusive any qualifying bonuses, cannot exceed 10% of the total voucher program budget (i.e., currently, cannot exceed \$1,500,000, based on initial voucher budget), to ensure equitable distribution of resources.</p>
Funding Disbursement	<p>Vouchers will be reserved at time of application approval, with a voucher approval reservation letter sent to the qualified Applicant. Voucher funds will be reserved for Applicant for 6 months, with the possibility of one 6 month extension. Once vehicle is delivered to and registered by the Applicant, Applicant will submit documentation of this to NJEDA (if required, proof of vehicle scrappage will be provided at this time). Once vehicle is delivered and registered, and all relevant program agreements are met, Applicant may provide the voucher to the Vendor or submit the voucher for funds from NJEDA with which to pay the Vendor.</p>
Conditions of funding	<p>By accepting the voucher funding, Applicants or, where applicable, Vendors will also agree to the following terms:</p> <ul style="list-style-type: none"> • Applicant will register the vehicle in the State of New Jersey for a minimum of the three initial, continuous years AND <ul style="list-style-type: none"> ○ Annually operate at least 75% of vehicle miles traveled (VMT) in the State of New Jersey AND annually operate 50% or more of VMT within either the greater Newark or greater Camden area for a minimum of three continuous years from date of registration OR ○ Annually operate at least 75% of vehicle miles traveled (VMT) in the State of New Jersey AND have a registration address and domicile the vehicle within either the greater Newark or greater Camden areas for a minimum of three continuous years from date of registration • Vendors will provide <ul style="list-style-type: none"> ○ Certification from the Vendor that the vehicle

Exhibit A
NJ ZIP – Zero emission Incentive Program, Medium Duty Voucher Pilot Program Specifications

	<p>complies with all applicable state and federal requirements for operation, including the Federal Motor Vehicle Safety Standards (FMVSS) issued by the National Highway Traffic Safety Administration (NHTSA), found in Title 49 of the Code of Federal Regulations (CFR).</p> <ul style="list-style-type: none"> ○ Warranty to Applicant for the eligible vehicle, indicating at least 3 years or 50,000 miles of coverage, whichever comes first, covering, parts (at a minimum, motor, drive train, and batteries, hydrogen fuel cells, etc.) and labor. ○ In-state servicing plan for maintenance of Applicant’s vehicle(s) aligned with industry norms and current best practices implemented by or before vehicle delivery ○ Charging or fueling needs and plans to address such needs, as applicable to the technology, indicating if the applicant intends to use already available infrastructure (public or private) or including, if available, details on anticipated count, type, capacity, and location of chargers necessary for vehicle <ul style="list-style-type: none"> ● NJEDA’s right to audit and verify compliance with eligibility requirements post-voucher redemption, and agree to provide responses and data upon request to support such audits and verifications. For example, to verify vehicle miles traveled within the eligible pilot communities, NJEDA may request data such as but not limited to telematics, route maps, delivery histories, etc. ● Permit the use by NJEDA of Applicant, Vendor, and vehicle data and information that is provided in the application and audit process, and that is not otherwise prohibited by law, for case studies and to support the development of future versions of this program, or future alternative programs ● Commit to displaying a visual indication on the commercial vehicle that it is a ZEV and that its purchase was subsidized through this program, meeting minimum standards or as materially provided by NJEDA (e.g., a bumper sticker, placard, etc.)
Fee Schedule	<p>Applicant will be assessed an application fee of \$1000 / application, unless Applicant demonstrates that the imposition of the fee would impose an undue financial hardship. Applicant may apply for more than one vehicle voucher in a single application.</p>