



**New Jersey Economic Development Authority
NJ Cool Program Pilot
NOTICE OF FUNDING AVAILABILITY**

Amended NOFA (dated July 15th, 2024): This reposted NOFA reflects a FAQ update to the NJ Cool Program regarding new fossil fuel-based systems (please see page 6 and <https://www.njeda.gov/njcool/>). All other program requirements and information are the same as the initially posted NOFA.

The New Jersey Economic Development Authority (“NJEDA” or “Authority”) will begin accepting applications on a rolling, first-come first-served basis for the initially **\$15,000,000** funded *pilot* NJ Cool Program (“Program”) on Monday, April 22nd, 2024 at 10:00 AM. The application will remain open until all available funding is reserved or until three (3) years after date of application launch, whichever is sooner. The application can be accessed at www.njeda.gov/njcool.

The Program will provide grants to retrofit projects in existing commercial buildings that result in a reduction of operating greenhouse gas emissions. The Program will support projects located in the municipalities of the City of Newark (Newark), the Township of Edison (Edison), and the City of Atlantic City (Atlantic City).

Purpose and Overview

The goal of this Program is to reduce operating greenhouse gas emissions from the commercial building sector in the State by offsetting capital costs of related construction projects for existing buildings. The Program will also allow NJEDA to assess the effectiveness of funding levels and program design for potential future iterations. Overall, the Program intends to accelerate the adoption of building decarbonization systems, technologies, and construction practices within New Jersey.

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. RGGI is a multi-state, market-based program that establishes a regional cap on carbon dioxide (CO₂) emissions from the electric power generation sector and therefore allowing for auctioning of emissions rights. Launched in 2005, RGGI was the first mandatory greenhouse gas "cap-and-invest" program in the United States. States use the proceeds from the CO₂ allowance auctions to invest in programs to help further reduce CO₂ and other greenhouse gas pollution, spur clean and renewable energy, and provide rate relief on energy bills. Through its participation in RGGI auctions and fixed price allowance sales held between 2020 and 2022, New Jersey received funding that totaled approximately \$372 million. In 2023, the first three quarterly RGGI auctions have thus far resulted in over \$131 million in funding to the State.

Per the 2023 New Jersey's RGGI Strategic Funding Plan, the State will deploy RGGI funds for 2023-2025 within four initiative categories:

1. Accelerate Healthy Homes and Building Decarbonization;
2. Catalyze Clean, Equitable Transportation;
3. Strengthen New Jersey's Forests and Urban Forests; and,
4. Promote Blue Carbon in Coastal Habitats.

New Jersey's RGGI funds allocation is governed by the Global Warming Solutions Fund Act (P.L. 2008, c. 340). By statute, proceeds from auctions are deposited into the Global Warming Solutions Fund. After administration fees are deducted from the pool, NJEDA receives 60% of the remaining funding for programming (focus area: commercial, institutional, and industrial entities). NJ Board of Public Utilities and NJ Department of Environmental Protection each receive 20% of the remaining funding for programming (focus areas, respectively: low income and moderate income residential; and local government, forests, and tidal marshes).

On November 16, 2023, the NJEDA's Board approved the creation of this pilot NJ Cool Program, which will utilize an initial \$15,000,000 funding from the NJEDA's allocation of the 2023 RGGI auction proceeds. Funding may increase up to \$30,000,000, based upon availability of RGGI funds, if application demand exceeds the initial funding allocation.

Per the 2023 RGI Funding Plan regarding Building Decarbonization:

According to the NJDEP's New Jersey Greenhouse Gas Inventory, buildings currently are the second highest source of greenhouse gas emissions in the state. These emissions are primarily associated with the combustion of fossil fuels in space and water heating. In addition, hydrofluorocarbon (HFC) emissions from refrigeration and air conditioning account for 6% of the State's greenhouse gas inventory. HFCs are considered a climate "super pollutant" because these greenhouse gases have hundreds to thousands of times the heat trapping power of carbon dioxide (CO₂) and are the fastest growing source of greenhouse gases both internationally and in New Jersey.

New Jersey aims to reduce statewide greenhouse gas emissions compared to 2006 levels by 50% and then 80%--by 2030 and 2050 respectively. Existing building stock will continue to be a

significant source of greenhouse gas emissions without decisive action. It is estimated that 80% of buildings that will be around in 2050 already exist today. Governor Murphy's Executive Order 316 sets clear near-term targets for building electrification in that by December 31, 2030, 400,000 additional dwelling units and 20,000 additional commercial spaces and/or public facilities statewide will be electrified, and an additional 10 percent of residential units serving households earning less than 80 percent of area median income will be made ready for electrification through the completion of necessary electrical system repairs and upgrades. On the longer term, New Jersey's 2019 Energy Master Plan's least cost scenario calls for converting at least 90% of residential and commercial buildings from natural gas to electric appliances by 2050. This past September, Governor Murphy signed New Jersey on to a 25-state coalition that aims to collectively reach 20 million heat pump installations across the coalition by 2030.

Per the 2023 RGI Funding Plan regarding Building Decarbonization:

Cost is a major barrier when upgrading homes and businesses to reduce carbon emissions and transition to low GWP commercial refrigeration systems or chillers. Funding the incremental costs to switch heating fuels and shift to new, low global warming potential (GWP) refrigeration systems is necessary to accelerate the installation of these systems. Since many new refrigeration appliances sold today utilize HFCs and will have an average product lifetime of about 15-20 years, New Jersey has a window of opportunity to incentivize the replacement and retrofit of older systems with those that use low and ultra-low- GWP refrigerants. Additional energy reduction benefits will be realized through this initiative because new refrigeration systems that use low-GWP refrigerants are more energy efficient than existing systems.

Program Details

In accordance with the Building Decarbonization initiative in the 2023 RGGI Funding Plan, the NJ Cool Program will support building decarbonization projects in existing commercial buildings in the state. Grants will be provided to reduce the costs of retrofit construction projects in existing commercial building spaces. Grant awards will cover 50% of eligible project costs up to a maximum award of \$1,000,000 per project (with a minimum award amount of \$50,000 per project).

Projects must include switching 75% or more of building space heating loads from existing fossil fuel-based combustion systems to non-combustion heating systems with low to zero direct operating emissions and/or replacing 75% or more of existing high global warming potential (GWP) refrigerants used for cooling within the building with lower GWP alternatives. In addition, work that further reduces building operating emissions and/or improves energy efficiency of the building can also be considered eligible costs for partial reimbursement through the grant. **However, this emissions reduction/energy efficiency work will not be eligible independently for a grant without fuel switching or refrigerant replacement also occurring as part of the overall project requesting a grant award.**

Additional eligible emissions reduction/energy efficiency work are hard costs that include, but are not limited to:

- Installing on-site renewable energy generation and/or storage systems
- Replacing gas powered appliances (e.g.: hot water heaters, clothes dryers, kitchen equipment) with electric alternatives
- Installing building management systems or energy load controls
- Conducting weatherization or building envelope (e.g.: façade, doors, windows, insulation) upgrades
- Installing heat recovery equipment
- Replacing lighting with more efficient equipment and/or controls

If the Applicant is a tenant, the minimum 75% switching requirement for heating load or existing refrigerants will only apply to the portions of the building within the tenant's lease or the building systems affecting the tenant's space within the overall building.

The Program is focused on three communities in the State: Newark, Edison, and Atlantic City. The three communities were selected for the pilot based on the prevalence of Overburdened Communities (OBCs) as defined by the New Jersey Environmental Justice Law, State geographic representation, and commercial electric and gas usage. Per the law, OBCs are Census block groups with at least 35 percent low-income households; or at least 40 percent of the residents identifying as minority or as members of a State recognized tribal community; or at least 40 percent of the households having limited English proficiency. Census block groups with zero population and located immediately adjacent to an OBC are labeled as "adjacent." OBCs significantly overlap these three municipalities.

Newark, Edison, and Atlantic City also cover three different geographic regions of the state: North, Central, and South Jersey respectively. Per an analysis conducted with the support of NJDEP, the pilot communities are 3 of the top 4 municipalities in the State by commercial electric usage and are 3 of the top 15 municipalities by commercial natural gas usage. Edison and Newark are the top 2 municipalities in the State based on reported HFC facilities. Overall, the three communities have a significant number of commercial properties that will be potential applicants for the Program.

The total RGGI-funded program budget will be \$15,000,000 for grant awards

- \$5,000,000 will be initially set aside for each of the three municipality's projects.

One year after application is open to the public, initial set asides will expire and all remaining program funding will be open to eligible building projects within the three pilot communities on a first come, first served basis.

Eligibility

1. Applicants may own or lease the building space that will be improved using the grant funding. If the space is leased, the Applicant must provide a certification from the landlord/building owner, that the proposed project details have been reviewed and approved.
2. The Program is open to existing commercial spaces within the three designated pilot communities of Newark, Edison, and Atlantic City. NJEDA will utilize municipal boundaries for these communities in determining that an Applicant's property address fits the project location criteria.
3. For purposes of the Program, commercial building spaces are classified per a list of select Occupancy Classes as defined in New Jersey Building Code, Chapter 3, as follows:
 - Mercantile Group M
 - Assembly Group A-2
 - Business Group B (**excluding** airport traffic control towers, buildings used for civic administration, educational purposes above the 12th grade, and post offices).

Note: The three Occupancy classes will provide a variety of commercial building uses to inform program design and operation, and to help inform community members of building decarbonization efforts and benefits. It also allows for mixed-use buildings to be included as Occupancy Class can be applied by code to only a portion of a building rather than the entire building.

4. Improvements (i.e., façade replacement, rooftop solar panel installations, or central HVAC equipment replacement, etc.) that result in emissions/energy reduction benefits to other building occupancy uses within a building, in addition to the primary targeted Group M, A-2, or B occupied spaces, are eligible for grant reimbursement.
5. To prevent duplication of benefits, participants in the NJ Clean Energy New Construction Program (Gut Rehab) or Large Energy Users Program are not eligible to participate in the pilot. In addition, the maximum potential grant award will be calculated from total eligible project costs net the amount of any expected incentive payments from state-run or utility energy efficiency programs.
6. Applicant must be in substantial good standing with the New Jersey Department of Labor and Workforce Development (NJDOLE) and New Jersey Department of Environmental Protection (NJDEP) to be eligible for the pilot NJ Cool Program. A current tax clearance certificate will need to be provided prior to application approval to demonstrate the Applicant is properly registered to do business in New Jersey and in substantial good standing with the NJ Division of Taxation.

Eligible Projects

Project scope must include either, but can include both, of the following:

A. Switching 75% or more of building space heating loads from existing fossil fuel-based combustion systems to non-combustion-based heating systems with low to zero direct operating emissions.

B. Replacing 75% or more of existing high global warming potential (GWP) refrigerants with lower GWP alternatives.

Additional, optional, eligible work that further reduces operating emissions and/or improves energy efficiency of the building, includes but is not limited to:

- Installing on-site renewable energy generation and/or storage systems
- Replacing gas powered appliances (e.g.: hot water heaters, clothes dryers, kitchen equipment) with electric alternatives
- Installing building management systems or energy load controls
- Conducting weatherization or building envelope (e.g.: façade, doors, windows, insulation) upgrades
- Installing heat recovery equipment
- Replacing lighting with more efficient equipment and/or controls

Eligible Uses of Funding

Eligible Project Costs:

- Materials, labor, and/or equipment provided by Public Work contractor that are directly related to emissions reductions/energy efficiency improvements or enabling work necessary for proposed emissions reducing/energy efficient building systems to be operational (e.g.: upgrading electric panels, structural improvements for rooftop solar or HVAC systems)
- Equipment and/or materials procured directly by the Applicant that are directly related to emissions reductions/energy efficiency or enabling work necessary for proposed emissions reducing/energy efficient building systems to be operational

Ineligible Project Costs:

- Soft costs: including but not limited to energy audits, design professional services, 3rd party construction management costs, permitting fees, commissioning costs, inspection fees
- Interior finish improvements and upgrades not related to operating energy/emissions reductions (e.g.: flooring, artwork)
- Other building system upgrades that are not related to energy/emissions reductions (e.g.: fire sprinklers, security cameras), even if required for overall building code compliance
- Furniture: non-permanent items (e.g.: desks, chairs, cabinets)
- Prior energy efficiency/emissions reductions improvements begun or completed before time of application approval
- New construction, including enlargements or additions to existing buildings that increase overall building square footage

- Facility or site acquisition
- Fines incurred because of code or zoning violations during construction project(s) associated with this grant

NJ Cool grant funding will not reimburse applicants for costs of new fossil fuel-based systems. This includes, but is not limited to, new fossil fuel-based heating systems or new back-up power generation equipment. Applicants are free to install these systems as part of a larger project receiving NJ Cool grant funding, but they will not be considered eligible project costs in the review of the grant application or eligible expenses for grant reimbursement.

All work must be conducted in accordance with NJ prevailing wage and affirmative action requirements.

Grant Amounts

Grant awards will cover 50% of eligible project costs up to a maximum award of \$1,000,000 per project (with a minimum award amount of \$50,000 per project).

Grant awards will be calculated based on the quoted costs of the eligible project scope. The Program will not provide reimbursement for costs already incurred prior to application approval.

The maximum potential grant award will be calculated from total eligible project costs net the amount of any expected incentive payments from State-run or utility energy efficiency programs.

Application Submission and Review Process

Complete applications will be reviewed on a rolling basis, first-come first-served.

Applicant submits application to NJEDA, which shall include, among other items:

- Building address and property information (size, type, occupancy, etc.)
- Proof of compliance with eligible building occupancy classes (use) including, but not limited to, an existing building permit, certificate of occupancy, or similar documentation
- Proof of ownership/proof of owner permission
- If Applicant leases space, a copy of their lease and a certification from the landlord that they have reviewed and approved the proposed facility improvement(s).
- If Applicant owns space, a deed, property tax statement, or current mortgage statement from the lender.
- A description of the proposed project
- Photos of the existing building space
- Valid New Jersey tax clearance certificate

- Cost estimate:
 - Quote(s) from contractor(s) that are registered with NJDOL as a Publics Works Registered Contractor with costs consistent with New Jersey State prevailing wage rates
 - Vendor quotes or similar retailer price information for any relevant items to be purchased directly by the Applicant
- Estimated project schedule
- Requested grant award amount
- Expected utility/state energy efficiency incentive payments (if applicable)
- Green building certification being pursued (if applicable)
- Projected operating greenhouse gas emissions savings as a result of the project (calculated by a qualified professional) with supporting information and additional documentation as required (historic energy bills, HVAC equipment information, etc.)
 - Qualified professionals include but are not limited to:
 - Licensed engineer (NJ state professional engineer or other state's equivalent)
 - Licensed architect (NJ state registered architect or other state's equivalent)
 - Certified Energy Auditor (CEA certification from the Association of Energy Engineers)
 - Certified Energy Manager (CEM certification from the Association of Energy Engineers)
 - Energy Management Professional (EMP certification from the Energy Management Association)
 - Building Energy Assessment Professional (BEAP certification from ASHRAE)

NJEDA staff will review all applications for completeness and eligibility. At the sole discretion of the Authority, NJEDA staff may ask for any necessary clarifications of the information provided in the application, including, but not limited to, responses, documentation, and attachments. Applicants will be given 10 business days to respond to the clarification requests. If at the end of this period, the applicant is non-responsive, the application will be deemed withdrawn.

Grant Agreement

NJEDA will provide an approval letter to the applicant with the maximum potential grant award available for the project. As a condition of accepting the award and before entering into a grant agreement with NJEDA, the Applicant must provide proof of funding for total estimated project costs plus an additional 15% of overall project costs as contingency to allow for potential cost overruns that may arise during construction. NJEDA grant awards will not be adjusted following notice of application approval and the Applicant will be responsible for any additional or unexpected project costs, even if relevant to the eligible project scope.

The Applicant will have two (2) months from notice of application approval with award amount by the Authority to submit proof of funding for the balance of project costs, with the possibility for additional two-month extension(s) at the discretion of the Authority. Proof of funding can

include bank account statements, financing agreement, or similar indication of available working capital for the project costs.

Additional financing provided by NJEDA may be used to cover project costs not eligible under the program. Additional financing provided by NJEDA may also be used to cover project costs paid up front by the Applicant prior to submitting for NJ Cool grant reimbursement.

Upon confirmation of acceptable proof of funding for the balance of project costs from the Applicant, NJEDA will execute a grant agreement with the Applicant for the project. Project construction activity must commence on site within six (6) months of grant agreement execution, or the applicant must demonstrate that permit applications (if required) are pending with relevant building authorities, with the possibility for six-month extension(s) for construction commencement at the discretion of the Authority.

Applicants will have two (2) years from project construction commencement to achieve project completion, with the possibility for six-month extension(s) at the discretion of the Authority.

Disbursement of Funding

Maximum eligible grant award will be determined at time of application approval. NJEDA will disburse funds via payments to the Applicant for reimbursement of eligible project costs at a 50% rate in two payment tranches. Up to one half of the maximum eligible grant award will be available for reimbursement when the applicant has paid 50% or more of estimated eligible project costs. The balance of the grant award will be available for disbursement at project completion when all eligible project work is completed and accepted by the Applicant. Reimbursement will be based on submitted proof of project expenses (receipts, contractor invoices, etc.), signed progress/completion documents, and project photos.

NJEDA reserves the right to conduct site visits during and following completion of construction activities to confirm that work is being completed in accordance with eligible uses for the Program and all prevailing wage and affirmative action requirements. Applicants will be responsible for repayment of all disbursed grant funding if they do not at a minimum complete the work required for either:

- Switching 75% or more of building space heating loads from existing fossil fuel-based combustion systems to non-combustion heating systems with low to zero direct operating emissions; or
- Replacing 75% or more of existing high global warming potential (GWP) refrigerants used for cooling within the building with lower GWP alternatives.

Fees

A non-refundable \$1,000 application fee is required at time of application submission, consistent with NJEDA 's fee rules, and may be paid by credit card only.

Additional Information

Additional information on the NJ Cool Program may be found at

<https://www.njeda.gov/njcool/>

Questions concerning this Program's Notice of Funding Availability should be submitted to

njcool@njeda.gov

The NJEDA is subject to State and Federal statutes including, but not limited to, the following, which may impact affiliates: N.J.S.A. 52:32-60.1, et seq., which prevents the New Jersey government entities from certain dealings with businesses engaged in prohibited activities in Belarus or Russia; Compliance with the list of "Specially Designated Nationals and Blocked Persons" promulgated by the Office of Foreign Assets Control (OFAC), <https://sanctionssearch.ofac.treas.gov>; N.J.S.A. 24:6I-49 which provides that the following are not eligible for most State or local economic incentives (a) a person or entity issued a license to operate as a cannabis cultivator, manufacturer, wholesaler, distributor, retailer, or delivery service, or that employs a certified personal use cannabis handler to perform work for or on behalf of a cannabis establishment, distributor, or delivery service; and (b) a property owner, developer, or operator of a project to be used, in whole or in part, by or to benefit a cannabis cultivator, manufacturer, wholesaler, distributor, retailer, or delivery service, or to employ a certified personal use cannabis handler to perform work for or on behalf of a cannabis establishment, distributor, or delivery service; and N.J.S.A. 52:13D-12, et seq., which prohibits a member of the Legislature or a State officer or employee or their partners or a corporation in which they owns or controls more than 1% of the stock to undertake or execute any contract, agreement, sale, or purchase of \$25.00 or more, made, entered into, awarded or granted by any State agency, with certain limited exceptions.