



MEMORANDUM

TO: Members of the Authority
FROM: Tim Sullivan
Chief Executive Officer
DATE: October 9, 2024
SUBJECT: Modifications to the NJ Cool Program

Request:

The Members are asked to approve:

1. Modifications to the NJ Cool Pilot Program, as specified in this memo and attached Proposed Program Specifications. The modifications requested pertain to program building eligibility and clarify refrigerant definitions and ineligible expenses.
2. Delegation of authority to the Chief Executive Officer to:
 - a) After assessing the application demand and program uptake within the original pilot municipalities, optionally expand the eligible geography of the NJ Cool Program to include, in addition to Newark, Edison, and Atlantic City, all Overburdened Communities (OBCs) and formally designated Adjacent Communities according to the New Jersey Environmental Justice Law. The possible expansion to OBCs and Adjacent Communities will only be allowed once the initial one-year program funding set-aside for the initial pilot communities of Newark, Edison, and Atlantic City has expired on April 22, 2025.

Background:

On November 16, 2023, the Board approved the creation of the NJ Cool Program (“NJ Cool” or the “Program”) and the utilization of \$15,000,000 from New Jersey Economic Development Authority’s allocation of 2023-2025 RGGI funds based upon staff’s recommendation in November 16, 2023, memo to the Board (the “Board Memo”). The NJ Cool program provides grants to retrofit projects in existing commercial buildings that result in a reduction of operating greenhouse gas emissions. The pilot program currently supports projects located in the municipalities of the City of Newark (Newark), the Township of Edison (Edison), and the City of Atlantic City (Atlantic City).

NJ Cool applications were launched on April 22, 2024.

This memo proposes modifications to the NJ Cool program in order to expand the program eligibility requirements to include additional types of buildings and expansion of eligible geography, as well as clarifying program definitions. Staff recommends the requested

modifications in this memo based on lessons learned during the Program's implementation as well as market feedback from stakeholders and industry experts.

Program Details:

Eligibility:

In order to expand the program to reach more buildings within New Jersey, this memo requests modifications to the eligibility requirements for building types.

On November 16, 2023, the Board approved NJ Cool with the following building type eligibility:

The pilot is open to existing commercial spaces within the three designated pilot communities of Newark, Edison, and Atlantic City (see below on the factors used to select these three municipalities). NJEDA will utilize municipal boundaries for these communities in determining that an Applicant's property address fits the project location criteria.

For the purposes of the pilot, commercial spaces are defined per a select list of Occupancy classes as defined by Chapter 3 of the current version of New Jersey Building Code. This includes Mercantile Group M (i.e., retail stores), Assembly Group A-2 (i.e., restaurants, bars, nightclubs, etc.), and Business Group B (i.e., banks, barber/beauty shops, professional services offices, etc.). Uses listed in New Jersey Building Code under Business Group B that will be excluded from pilot eligibility are airport traffic control towers, buildings used for civic administration, educational purposes above the 12th grade, and post offices. These three Occupancy classes were selected for the pilot to provide a variety of commercial building uses to inform program design and operation. In addition, they are highly public facing spaces that can help inform community members about building decarbonization efforts and benefits. Other Occupancy classes were excluded from the initial pilot eligibility given that buildings with these other spaces typically have more complicated energy demands, potentially larger retrofit project costs, and complex building ownership structures. These additional Occupancy classes may be considered for inclusion in future program iterations. Using building occupancy class to designate project eligibility allows for mixed-use buildings to be included in the pilot as occupancy class can be applied by code to only a portion of a building rather than the entire structure. For example, improvements can be made under the program to eligible ground floor retail spaces in a mixed-use building while excluding upgrades specific to residential apartments that may be located on the higher floors of a building. Please note, improvements (such as façade replacement, rooftop solar panel installations, or central HVAC equipment replacement) that may also 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. If the Applicant is a tenant, the minimum 75% switching requirement explained above for space 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.

See the Board Memo.

Staff recommends the following revised building type eligibility requirements for NJ Cool:

The pilot is open to existing spaces within Newark, Edison, Atlantic City, and, after year one of the Program, OBCs and Adjacent Communities, whose occupancy or property class fit within the scope of the Program's funding source, as further limited below. NJEDA will utilize municipal boundaries and OBCs for these communities in determining that an Applicant's property address fits the project location criteria.

For the purposes of the pilot, eligible buildings are defined as buildings within the occupancy classes M, A-2, or B as well as buildings within a select list of Property classes, as defined by N.J.A.C. 18:12-2.2. The Property classes that are eligible for this pilot program are Class 4A, 4B, 15A, 15B, 15C, 15D, 15E, and 15F.

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

This change will expand the types of buildings that are eligible to receive funding from the NJ Cool program by defining eligibility using property classes, which are more encompassing than the previously used occupancy classes. This approach will also simplify eligibility for prospective applicants, as one building may include different spaces inside each with different occupancy classes.

The selected property classes are broadly as follows:

- Class 4A: Commercial Property
- Class 4B: Industrial Property
- Class 15A: Public School Property
- Class 15B: Other School Property
- Class 15C: Public Property
- Class 15D: Church and Charitable Property
- Class 15E: Cemeteries and Graveyards
- Class 15F: Other Tax Exempt Property

Refrigerant Definition:

In order to offer applicants additional clarity, this memo requests modifications to the definition of refrigerants eligible for replacement under the program.

On November 16, 2023, the Board approved NJ Cool with the following project scope eligibility:

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.

See the Board Memo.

Staff recommends the following revised refrigerant definition for NJ Cool:

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 (defined as refrigerants with a GWP greater than or equal to 700 (100-year GWP value)) used for cooling within the building with lower GWP alternatives (defined as refrigerants with a GWP lower than the existing high GWP refrigerant being replaced).

This change will offer clarity on the refrigerants eligible to receive funding from NJ Cool.

Eligible Expenses:

In order to offer applicants additional clarity, this memo requests modifications to ineligible expenses.

On November 16, 2023, the Board approved NJ Cool with the following project costs listed that are ineligible for NJ Cool grant funding:

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 (ex: flooring, artwork)
- Other building system upgrades that are not related to energy/emissions reductions (ex: fire sprinklers, security cameras), even if required for overall building code compliance
- Furniture: non-permanent items (ex: 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

See the Board Memo.

Staff recommends the following revised ineligible project costs be added to the Board Memo's list:

- New fossil fuel-based systems, including but not limited to, new fossil fuel-based heating systems or new back-up power generation equipment.

This change will offer clarity on ineligible expenses to NJ Cool and ensure consistency with the intent of the program to reduce operating emissions.

Treatment of Current and Pending Applicants:

Staff will review completed Program applications that are submitted prior to the publication of a revised Notice of Funding Availability ("NOFA") reflecting the revisions recommended in this memorandum under the program rules initially approved on November 16, 2023. All applications submitted after the publication of that NOFA shall be reviewed under the revised Program rules.

Delegated Authority:

On November 16, 2023, the Board approved NJ Cool with the following delegated authority:

- a) Approve individual applications for the NJ Cool Program in accordance with the terms set forth in this memo and the attached program specifications.
- b) Increase funding from \$15,000,000 to up to \$30,000,000 based on available RGGI funding if application demand exceeds the initial \$15,000,000 funding allocation.

See the Board Memo.

Staff requests that delegated authority under NJ Cool be expanded as follows:

- c) After assessing the application demand and program uptake within the original pilot municipalities, optionally expand the eligible geography of the NJ Cool Program to include Newark, Edison, and Atlantic City as well as all OBCs and formally designated Adjacent Communities according to the New Jersey Environmental Justice Law. The possible expansion to OBCs and Adjacent Communities will only be allowed once the initial one-year program funding set-aside for the initial pilot communities of Newark, Edison, and Atlantic City has expired on April 22, 2025. This potential program expansion will allow for NJ Cool program funding to be used beyond the initial pilot communities of Newark, Edison, and Atlantic City if there is low application demand for the program, even after broadening program eligibility by switching from

building occupancy class to building property class as outlined in this memo. The initial NJ Cool pilot program budget was \$15,000,000 for grant awards, of which \$5,000,000 was set aside for projects within each of the three pilot municipalities. Per the original board memo, 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. If the pilot is expanded to all OBCs and Adjacent communities under delegated authority, funding would be available on a first come, first served basis to all eligible building projects within the expanded program geography.

Recommendation:

The Members are requested to approve the modifications to the NJ Cool Pilot Program, as specified in this memo and attached Proposed Product Specifications sheet.

A handwritten signature in blue ink, appearing to read 'T. Sullivan', is positioned above a horizontal line.

Tim Sullivan, CEO

Prepared by: **Sean Sonnemann**

Attachments: Appendix A – Proposed Product Specifications: NJ Cool Program

Appendix A – Proposed Product
Specifications: NJ Cool Program

Proposed Product Specifications: NJ Cool Program October 9, 2024	
Building Eligibility	For the purposes of the pilot, eligible buildings are defined per a select list of Property classes as defined by Section 18:12-2.2 of the current version of New Jersey Administrative Code. The Property classes that are eligible for this pilot program are Class 4A, 4B, 15A, 15B, 15C, 15D, 15E, and 15F.
Refrigerant Definition	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 (defined as refrigerants with a GWP greater than or equal to 700 (100-year GWP value)) used for cooling within the building with lower GWP alternatives (defined as refrigerants with a GWP lower than the existing high GWP refrigerant being replaced)
Ineligible Project Costs	In addition to all other ineligible project costs noted in Board Memo, applicants are not allowed to use the NJ Cool Program Pilot funding for: new fossil fuel-based systems, including but not limited to, new fossil fuel-based heating systems or new back-up power generation equipment.
Treatment of Current and Pending Applicants:	Staff will review completed Program applications that are submitted prior to the publication of a revised Notice of Funding Availability (“NOFA”) reflecting the revisions recommended in this memorandum under the program rules initially approved on November 16, 2023. All applications submitted after the publication of that NOFA shall be reviewed under the revised Program rules.
Delegation of Authority	Authority is delegated to the Chief Executive Officer to do the following: After assessing the application demand and program uptake within the original pilot municipalities, optionally expand the eligible communities of the NJ Cool Program to include, in addition to Newark, Edison, and Atlantic City,

	<p>all Overburdened Communities (OBCs) and formally designated Adjacent Communities according to the New Jersey Environmental Justice Law. This possible expansion will only be allowed once the initial one-year program funding set-aside for the initial pilot communities of Newark, Edison, and Atlantic City has expired on April 22, 2025.</p>
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