MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: October 9, 2025

SUBJECT: RETROFIT NJ Program

Request:

The Members of the Board are requested to approve:

1. The Reducing Emissions through Retrofits, Optimization, Fuel-Switching, and Innovative Technologies Grant Program ("RETROFIT NJ" or "Program"), a pilot initiative designed to support large, complex building decarbonization projects that are not well served by existing state programs.

2. Utilization of $75 million of 2023-25 Regional Greenhouse Gas Initiative (RGGI) Funds to capitalize the Program.

3. Delegation of authority to the Chief Executive Officer to increase funding from $75,000,000 to up to $150,000,000 based on available RGGI funding if application demand exceeds the initial $75,000,000 funding allocation.

4. Delegation of authority to the Chief Executive Officer to adjust: (a) construction initiation and completion timeline requirements set by the Program; and (b) submission timeline for financial documentation that verifies applicants have matching funds available to cover the balance of project costs that are not covered by the Grant Program.

Background:

The New Jersey 2019 Energy Master Plan identifies the building sector as responsible for 62% of the State's total end-use energy consumption. To meet the State's 2050 carbon reduction goals, it calls for widespread electrification of buildings and recommends the establishment of demonstration projects in collaboration with private industry. The plan states that New Jersey must "partner with private industry to establish electrified building demonstration projects" and "the state must also develop a transition plan to a fully electrified building sector, including incentivizing appliances like electrified heat pumps and hot water heaters."

Responses to NJEDA's previous Request for Information (RFI) for Commercial Building Decarbonization released in June 2023[1] and ongoing stakeholder engagement around the existing NJ Cool program have revealed a pipeline of high value decarbonization projects involving large buildings and campus retrofits that are not well-served by existing State programs. These engagements have highlighted greater need to

[1] https://www.njeda.gov/wp-content/uploads/2023/06/2023-RFI-180-Commercial-Building-Decarbonization-Addendum-1.pdf

provide financial and technical support for decarbonizing large commercial and institutional[2] buildings, especially as these projects often involve complex infrastructure, longer development timelines, and substantial implementation costs. In addition, emerging technologies such as Thermal Energy Networks (TENs)[3]—which can significantly reduce emissions across multiple buildings—are not yet covered by any existing State programs and require greater implementation support given their significant cost. For example, a modest TEN project in Framingham, MA had a total cost of approximately $21 million, while a Con-Edison project in New York City is anticipated to cost $45.5 million to serve a 291-unit New York City Housing Authority complex[4] and a project in Baltimore, MD is estimated at $60-70 million.[5]

While NJEDA's NJ Cool program has seen continued uptake with applications for smaller to medium-sized building decarbonization projects, there are other high-value projects involving large buildings and campus retrofits that are not well-suited for the requirements or program caps of the NJ Cool program. Outreach conducted for NJ Cool has indicated a strong demand for a program that encompasses building retrofit decarbonization strategies without the scope limitations that NJ Cool currently has in place, such as the $1 million grant cap functionally limiting larger projects, restrictions on multi-building campus applications, prescriptive fuel-switching/refrigerant replacement requirements, geographic eligibility limits, and the lack of funding for essential design and engineering work. The current limits of NJ Cool, combined with the rollback of some federal incentives, necessitate the development of a program designed to support larger building projects. These larger decarbonization projects can serve as flagship examples for the market and demonstrate how to decarbonize and successfully deploy various clean energy technologies. An expanded award size and more flexibility for uses of funding would generate greater market interest among large retrofit projects, such as municipally-owned and campus-style buildings that require both greater funding and extended timelines to design and implement high-impact decarbonization projects.

The projects realized through this Program will help establish New Jersey as a national leader in advancing innovative and large-scale building decarbonization, and accelerate the adoption of building decarbonization systems, technologies, and construction practices within the State, all while putting people to work and generating economic development activity.

Program Overview:

RETROFIT NJ is designed to support multi-pronged, large-scale retrofit projects that enable holistic energy improvements at buildings, campuses, and multi-building facilities. By deploying $75 million in RGGI funds, this program aims to catalyze high-impact, high-visibility projects that significantly reduce carbon emissions, serve as replicable models, accelerate New Jersey's clean energy transition, and stimulate economic growth in the clean energy industry, one of the State's targeted industries.

The Program will offer grant awards between $2.5 million and $12.5 million to commercial, industrial, and institutional building owners undertaking retrofit projects with a minimum total project cost of $5 million. Eligible projects must include at least three clean energy or electrification components—such as solar, energy storage, electrification of heating, refrigerant replacement, or energy efficiency upgrades—or involve TENs. Funding provided by the Program will cover both hard and soft costs, including design, equipment, construction, and commissioning. Non-profit and institutional applicants receive up to 60%

[2] Institutional buildings are defined by the Department of Environmental Protection at NJAC 7:27D-1.2 to be those buildings that serve "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."

[3] A Thermal Energy Network is defined as a centralized or distributed system that supplies thermal energy (heating and/or cooling) to multiple buildings via a network of insulated pipes. The network utilizes one or more energy sources—such as geothermal systems, heat pumps, waste heat recovery, or combined heat and power (CHP)—to deliver conditioned water or other heat-transfer fluids for space conditioning and/or domestic hot water. Designed for efficiency, decarbonization, and scalability, thermal energy networks may support bidirectional energy exchange and integration of renewable energy sources.

[4] Chelsea, Manhattan Utility Thermal Energy Network (UTEN) Pilot Project Stage 2 Filing Final Pilot Engineering Design and Customer Protection Plan Case 22-M-049 July 9, 2025 chelsea-uten-cecony-stage-2-filing.pdf

[5] July 1, 2025 - Washington Gas filing to Public Service Commission of Maryland - RE: Case No. 9749 – Washington Gas Proposal for a Thermal Energy Network Pilot System

reimbursement, while for-profit commercial entities are eligible for up to 50% reimbursement, with an additional 5% bonus for Overburdened Community (OBC)[6] locations for all entity types. Structured as a rolling application process with phased disbursements, the program is built to be inclusive of projects utilizing multiple clean energy technologies that need support to proceed. The Program shall be implemented in accordance with the Program Specifications attached thereto as Appendix A.

Program Funding:

The Program will utilize $75,000,000 in RGGI funds available to NJEDA under the 2023-2025 RGGI Funding Plan. After the Program application is open to the public, 50% of the funding pool ($37,500,000) will be set-aside exclusively for applications submitted for projects in Overburdened Communities and/or for Institutional applicants for one calendar year. Upon expiration of this set-aside, any unallocated set-aside funding will be open to all eligible applicants on a first-come, first-served basis. After applications open to the public, staff will evaluate program uptake. Delegated authority is requested to utilize up to an additional $75,000,000 in RGGI funds available to NJEDA to expand the pilot if program demand surpasses the initial $75,000,000 funding allocation. The set-aside for funding will only apply to the initial $75,000,000 funding allocation. Administrative costs for the program will be covered under RGGI administrative funding that is available to NJEDA independently from RGGI project funding.

Grant Amounts:

For all projects, the minimum grant award size is $2,500,000. For projects involving TENs, the maximum grant award size is $12,500,000 per project/Employer Identification Number (EIN). For all other projects, the maximum grant award size is $10,000,000 per project/EIN.

Delegated Authority:

In addition to the delegated authority identified above for funding allocation, staff is also requesting delegated authority to the Chief Executive Officer to adjust: (a) construction initiation and completion timeline requirements set by the Program; and (b) submission timeline for financial documentation that verifies applicants have matching funds available to cover the balance of project costs that are not covered by the Grant Program. The requests are necessary because of the unpredictability in delays for construction timelines and financing approvals that can be impacted by a number of variables, including but not limited to supply chain issues, labor shortages, and project cost overruns. Such adjustments shall be permitted provided that they are within the Program's specifications and do not substantively change the application's eligibility or completeness.

Recommendation:

The Members of the Board are requested to approve:

1. The Reducing Emissions through Retrofits, Optimization, Fuel-Switching, and Innovative Technologies Grant Program ("RETROFIT NJ" or "Program"), a pilot initiative designed to support large, complex building decarbonization projects that are not well served by existing state programs.

2. Utilization of $75 million of 2023-25 Regional Greenhouse Gas Initiative (RGGI) Funds to capitalize the Program.

[6] NJ's Environmental Justice Law at N.J.S.A 13:1D-157 defines overburdened communities as any census block group, as determined in accordance with the most recent United States Census in which: 1) at least 35 percent of the households qualify as low-income households; 2) at least 40 percent of residents identify as minority or as members of a State recognized tribal community; or 3) at least 40 percent of the households have limited English proficiency. (https://dep.nj.gov/ej/communities/)

3. Delegation of authority to the Chief Executive Officer to increase funding from $75,000,000 to up to $150,000,000 based on available RGGI funding if application demand exceeds the initial $75,000,000 funding allocation.

4. Delegation of authority to the Chief Executive Officer to adjust: (a) construction initiation and completion timeline requirements set by the Program; and (b) submission timeline for financial documentation that verifies applicants have matching funds available to cover the balance of project costs that are not covered by the Grant Program.

Tim Sullivan, CEO

Prepared by: Andres Garcia

Appendix A – Proposed Product Specifications: RETROFIT NJ Program

Appendix A
RETROFIT NJ Program

Proposed Program Specifications October 9, 2025	
Program Overview	RETROFIT NJ is designed to support multi-pronged, large-scale retrofit projects that enable holistic energy improvements at buildings, campuses, and multi-building facilities. By deploying $75 million in RGGI funds, this program aims to catalyze high-impact, high-visibility projects that significantly reduce carbon emissions, serve as replicable models, accelerate New Jersey's clean energy transition, and stimulate economic growth in the clean energy industry, one of the State's targeted industries. The Program will offer grant awards between $2.5 million and $12.5 million to commercial, industrial, and institutional building owners undertaking retrofit projects with a minimum total project cost of $5 million. Eligible projects must include at least three clean energy or electrification components—such as solar, energy storage, electrification of heating, refrigerant replacement, or energy efficiency upgrades—or involve TENs. Funding provided by the Program will cover both hard and soft costs, including design, equipment, construction, and commissioning. Non-profit and institutional applicants receive up to 60% reimbursement, while for-profit commercial entities are eligible for up to 50% reimbursement, with an additional 5% bonus for Overburdened Community (OBC)[7] locations for all entity types. Structured as a rolling application process with phased disbursements, the program is built to be inclusive of projects utilizing multiple clean energy technologies that need support to proceed. The Program shall be implemented in accordance with the Program Specifications attached thereto as Appendix A.
Program Funding	The Program will utilize $75,000,000 in RGGI funds available to NJEDA under the 2023-2025 RGGI Funding Plan. After the Program application is open to the public, 50% of the funding pool ($37,500,000) will be set-aside exclusively for applications submitted for projects in Overburdened Communities and/or for Institutional applicants for one calendar year. Upon expiration of this set-aside, any unallocated set-aside funding will be open to all eligible applicants on a first-come, first-served basis. After applications open to the public, staff will evaluate program uptake. Delegated authority is requested to utilize up to an additional $75,000,000 in RGGI funds available to NJEDA to expand the pilot if program demand surpasses the initial $75,000,000 funding allocation. The set-aside for funding will only apply to the initial $75,000,000 funding allocation. Administrative costs for the program will be covered under RGGI administrative funding that is available to NJEDA independently from RGGI project funding.
Grant Amounts	For all projects, the minimum grant award size is $2,500,000. For projects involving TENs, the maximum grant award size is $12,500,000 per project/Employer Identification Number (EIN). For all other projects, the maximum grant award size is $10,000,000 per project/EIN.

Eligibility Requirements	• Applicant Eligibility
	  ○ Applicants must be Commercial, Industrial, or Institutional building owners OR equivalent tenants seeking to complete retrofit construction projects in existing eligible building spaces. Tenants must demonstrate owner approval and a valid lease for one year beyond the length of the proposed project's construction timeline.
	  ○ The applicant must also be in substantial good standing with the New Jersey Department of Labor and Workforce Development and NJ Department of Environmental Protection to participate in the program.

[7] NJ's Environmental Justice Law at N.J.S.A 13:1D-157 defines overburdened communities as any census block group, as determined in accordance with the most recent United States Census in which: 1) at least 35 percent of the households qualify as low-income households; 2) at least 40 percent of residents identify as minority or as members of a State recognized tribal community; or 3) at least 40 percent of the households have limited English proficiency. (https://dep.nj.gov/ej/communities/)

- The applicant must provide a current tax clearance certificate at the time of grant agreement execution to demonstrate the applicant is properly registered to do business in New Jersey and in substantial good standing with the NJ Division of Taxation.

- Project Scope Eligibility Requirements:
  - Projects must include work from at least three of the following scope categories:
    - On-site renewable energy generation (solar, etc.)
    - On-site energy storage (battery, thermal, etc.)
    - Electrification/Fuel Switching of Heating Systems
    - Refrigerant Replacement for Cooling Systems (new system must have lower Global Warming Potential (GWP) than previous system and GWP must be 700 or less)
    - Energy Efficiency Improvements (BMS, envelope, heat recovery, lighting upgrades, green roofs/cool roofs, electrifying appliances, etc.)

      OR:

    - A project scope involving Thermal Energy Networks does not need to meet the above scoping requirements.

- Project Eligibility
  - Projects must demonstrate total eligible costs of at least $5,000,000.
  - Projects must be located within New Jersey.
  - Applicants must provide, at time of application, a verified projection from a qualified third-party professional for reducing/avoiding at least one metric ton of carbon dioxide equivalent (CO_2e) for every $250 in requested NJEDA grant award amount over the project's useful life (e.g. a $5 million grant award would need to show that the proposed project can reduce at least 20,000 metric tons of CO_2e over the project's useful life)
    - Qualified third-party 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 the American Society of Heating, Refrigeration, and Air-Conditioning Engineers)

- Building Eligibility
  - Meet one of the following property classes as defined by NJAC 18:12-22:
    - Class 4A: Commercial Property Class 4B: Industrial Property
    - Class 4C: Apartments (for purposes of this Program, applicants that are Class 4C must be multi-family that are owned by a commercial business or institutional entity)
    - 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
Eligible Uses of Grant Funding	• Eligible project costs include: o Construction labor and/or equipment provided by Public Works Registered 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 (i.e., upgrading electric panels, structural improvements for rooftop solar or HVAC systems) o 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 o Soft costs including construction management, commissioning, engineering, building certification, and design costs relevant to scope categories listed above (no more than 20% of total project costs can be allocated for this purpose) o Electric vehicle charging infrastructure can optionally be included in project scopes but electric vehicle charging infrastructure projects on their own would not be eligible and do not count towards the three qualifying eligibility criteria. • Ineligible project costs include: o Permitting and inspection fees o Taxes o Property or facility acquisition costs o Interior finish improvements and upgrades not related to operating energy/emissions reductions (e.g. flooring, artwork) o Other building system upgrades not related to operating energy/emissions reductions (e.g. fire sprinklers, security cameras), even if required for overall building code compliance o Furniture: non-permanent items (e.g. desks, chairs, cabinets) o Prior construction work related to energy efficiency/emissions reductions improvements that began or completed before the time of application to the program o New construction and gut rehab/redevelopment projects including enlargements or additions to existing buildings that increase overall building square footage o Demolitions o Fines incurred because of code or zoning violations during construction project associated with this grant o Installation of new combustion-based systems (e.g., boilers, furnaces), regardless of efficiency o Costs not included in the approved project scope. • Additionally: o Funds can be used to support multiple building projects within one application if buildings are adjacent or in a campus style arrangement. Campus-wide and multi-building facilities are defined as a group of two or more buildings owned and/or leased by either a single entity or a consortium of two or more building owners/leaseholders (“Consortium”). If the latter, a lead entity must submit the grant program application on behalf of the Consortium, or

	the Consortium can utilize an existing or create a newly formed business or institutional entity with its own specific EIN that represents the interests of the Consortium for the purposes of the proposed grant project. o Projects involving new construction and substantial rehabilitation/redevelopment are excluded from Program funding. However, if the new construction or substantial rehabilitation/redevelopment project is a portion of a larger retrofit project that includes a connected building(s) otherwise qualified for the Program, then expenses associated with the energy system for the new construction or substantial rehab/redevelopment are eligible. Substantial rehabilitation shall have the same meaning as "reconstruction" in N.J.A.C. 5:23-6.3. o A lookback period of up to 18 months prior to the date of application submission shall apply to design, engineering, planning, and/or audit activities initiated or completed in furtherance of the project. Such costs may be included in the total eligible project cost. Construction or building maintenance costs incurred prior to application submission are ineligible for the lookback period. Reimbursement for expenses incurred during the lookback period shall not exceed twenty percent (20%) of the total eligible project cost. o The applicant and any collaborators performing capital work will be subject to labor compliance, including New Jersey affirmative action, prevailing wage requirements, and the requirement to complete New Jersey Contractor Registration. o Except for the NJEDA's NJ Cool program, the grant award is stackable with any other incentives from utilities and/or federal, state, and local government agencies. NJEDA will conduct a review in coordination with other State agencies to ensure there is no duplication of benefits.
Application Process	Complete applications will be reviewed on a rolling basis using the following steps: • **Step 1 – Application Requirements**: Applicant submits application to NJEDA, which shall include, among other items: o Building address and property information (size, type, occupancy, etc.) o Proof of building ownership/proof of building owner permission to undertake project o If Applicant leases space, a copy of their lease extending one year past the construction timeline and a signed acknowledgement from the landlord that they have reviewed and approved the proposed facility improvement(s). o If Applicant owns space, a deed, property tax statement, or current mortgage statement from the lender. o A description of the proposed project o Project design drawings o Photos of the existing building space o Cost estimate budget spreadsheet using NJEDA template, which is supported by: o 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 o Vendor quotes or similar retailer price information for any relevant items/equipment to be purchased directly by the applicant o A soft commitment for matching funding (e.g., promissory note, letter of commitment from a financial institution, etc.) OR proof of funding in-place (e.g. bank statements, executed financing agreement, or similar indication of

availability of working capital for proposed project) to demonstrate Applicant's ability to cover the balance of project costs not covered by this grant IN ADDITION TO a 10% contingency to cover any potential project cost overruns.
    - Estimated project schedule
    - Requested grant award amount
    - Expected utility/state energy efficiency incentive payments (if applicable)
    - Recent utility bill(s) (water and energy), as well as building occupancy and energy consumption (e.g. oil, propane) data for prior 12 months of operation
    - Projected operating greenhouse gas emissions savings to be realized as a result of the project (calculated by a 3rd party qualified professional) with supporting information and additional documentation as required (HVAC equipment information, etc.).

- **Step 2 – Application Review:** NJEDA reviews the submitted application materials and performs a completeness review of each submitted application. If the submitted application is incomplete, staff shall send written notice providing applicants fifteen (15) business days to provide the missing documents or information in their application. Staff shall also complete an initial project financial viability review based on the soft commitment for matching funding or proof of funding in-place submitted as part of the application materials to demonstrate the Applicant's ability to cover balance of project costs not covered by the grant in addition to a 10% project contingency for any potential project cost overruns.

- **Step 3 – Application Approval:** If eligible and applicable, NJEDA will provide an approval letter to the applicant with the maximum potential grant award available for the project and enter into a grant agreement. If not already provided the applicant must provide a current tax clearance certificate at the time of grant agreement. 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.

- **Step 4 – Proof of Funding:** If only a soft commitment for matching funding is provided at time of application, the Applicant will have twelve (12) months from execution of grant agreement with NJEDA to submit proof of funding for the balance of project costs, with the possibility for additional six-month extension(s) at the discretion of the NJEDA. Proof of funding can include bank account statements, financing agreement, or similar indication of available working capital for the project costs. NJEDA will review and provide approval for proof of funding via its underwriting process. Additional financing provided by NJEDA may also be used to cover project costs not met by the grant award, including through the NJ Clean Energy Loans program and the New Jersey Green Bank, a subsidiary of the NJEDA, may be able to offer loan financing to complement the grant award. However, the applicant cannot use both NJ Cool program funding and RETROFIT NJ funding for the same project.

- **Step 5 – Construction Initiation:** Project construction activity must commence on-site within twelve (12) 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) at the discretion of the NJEDA.

- **Step 6 – Construction Completion:** Applicants will have three (3) years from project construction commencement to achieve project completion, with the possibility for one-year extension(s) at the discretion of the NJEDA.

Grant Disbursement	NJEDA will provide a maximum disbursement of 50% of total eligible project costs for for-profit commercial projects, and a maximum disbursement of 60% of total eligible project costs for Institutional and non-profit projects, up to the maximum allowable grant award amount of $12,500,000 for TENs and $10,000,000 for all other projects. The maximum disbursement amount will be increased by an additional 5% if the applicant's proposed project/building is located within an OBC or adjacent census block, in accordance with RGGI requirements to prioritize OBCs. Maximum eligible grant award size will be determined at time of application approval. NJEDA will disburse funds on a pro-rata basis based on construction progress, or other milestones, via payments to the grant recipient in tranches as will be provided in the grant agreement. Final payment may be adjusted for any work not completed/project scope changes, and/or underspending. NJEDA **shall recapture** any grant funds used for (1) an ineligible purpose or (2) any purpose outside of the Program's approved scope of work.
Compliance and Reporting	Applicants are required to ensure all contractors working on the project are New Jersey Department of Labor (NJDOL) Public Work Certified and abide by prevailing wage and affirmative action requirements. As part of the application process, applicants must submit at least prior 12 months of utility bills, energy consumption data (e.g. oil, propane, etc.), and building occupancy data to help establish baseline energy consumption. When the building is fully operational again following construction completion, the grant recipient must submit utility bills, energy consumption, and occupancy data for at least the first 12 months following construction to help verify the estimated energy and emissions savings as a result of the project. Grant recipients are also required to provide details on other projects undertaken by the building during the grant term that are not funded by the grant award and could impact the building's energy usage (including other clean energy or energy efficiency initiatives and participation in any demand response programs). The NJEDA reserves the right to conduct site visits at any time during construction, in addition to site visits scheduled by the grant recipient for the purpose of progress disbursements.
Fees	NJEDA will charge a $1,000 application fee per project application.