

Welcome!

This webinar will start at 10:00 a.m. ET

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Excellence

We strive for innovative high-quality programs and ideas.

Inclusion

The diverse voices and backgrounds of our employees, Board of Directors, members and partners make us stronger.

Collaboration

We believe consensus delivers better solutions and teamwork is essential to our success.

Engagement

We promote a culture of performance, participation and curiosity.



LL97: Unpacking the Proposed Rules (2024)

Panelists

Laura Popa • Deputy Commissioner for Sustainability, NYC Department of Buildings

Jennifer Bloom Leone • Assistant Commissioner & Chief Sustainability Officer, NYC Department of Housing Preservation & Development

Emily Hoffman • Director of Building Energy & Emissions Performance, NYC Department of Buildings

Beth Golub • Director of Sustainability Policy and Legal Matters, NYC Department of Buildings

Chris Halfnight (Moderator) • Senior Director, Research & Policy, Urban Green Council

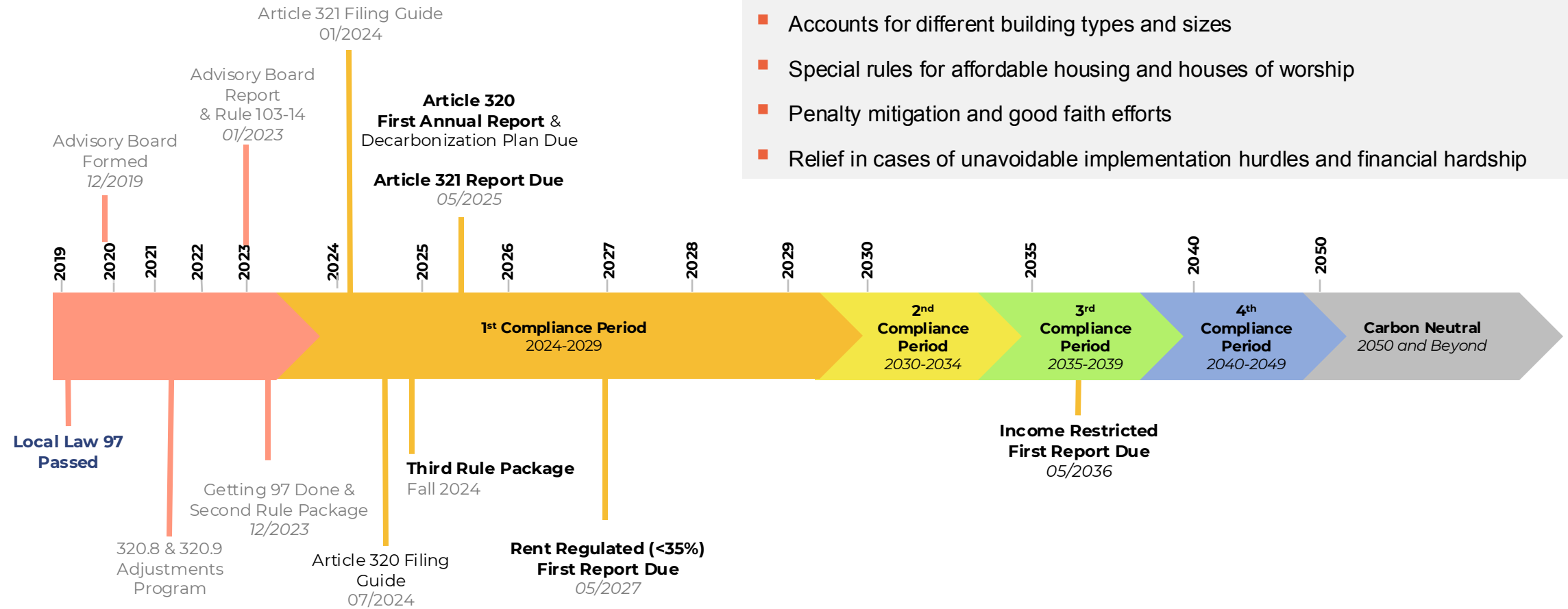


LL97 3RD RULE PACKAGE

FALL 2024

NYC
Buildings

LOCAL LAW 97 TIMELINE



Application:

- Buildings that exceed 25,000 sq. ft.
- Accounts for different building types and sizes
- Special rules for affordable housing and houses of worship
- Penalty mitigation and good faith efforts
- Relief in cases of unavoidable implementation hurdles and financial hardship

LOCAL LAW 97 COMPLIANCE BUCKETS

Annual Emissions Limits (Article 320) 34,000 buildings	Lower Cost One-Time Compliance (Article 321) 10,000 buildings	Portfolio-Wide Reduction 3,500 buildings
Private sector, non-rent regulated accommodations*	<ul style="list-style-type: none"> • Rent-regulated accommodations (>35% rent reg) • HDFC co-ops • Buildings that participate in a project-based federal housing program • Houses of worship 	<ul style="list-style-type: none"> • City buildings • NYCHA
Buildings must reduce emissions by retrofitting to promote energy efficiency. Reduce energy waste and demand, electrify equipment, and improve building operations and maintenance practices. Can purchase certain RECs and/or offsets	Meet all applicable measures from a list of Prescriptive Energy Conservation Measures or comply with the 2030 annual emissions limit.	DCAS buildings must reduce emissions by 40% by 2025 and 50% by 2030. NYCHA buildings must reduce emissions by 40% by 2030 and 80% by 2050.
Compliance begins in 2024 . Penalties begin in 2025 . Cap becomes more stringent in 2030 , etc. Two-year delay for <35% rent reg (~4,000 buildings). Ten-year delay for income restricted (~3,500 buildings).	Implement prescriptive measures or meet 2030 limits in 2024 and submit one-time report by 2025 .	DCAS to meet portfolio-wide caps starting in 2025 , NYCHA starting in 2030 .

**Adjustments available for hospitals, nonprofits, buildings with legal/physical constraints/financial hardship.*

LL97 COMPLIANCE RULES & RESOURCES

■ [Article 320](#)

– [Rule 103-14](#)

- Guidance on how to calculate and report emissions
- Penalty Framework
 - Penalties for non-compliance
 - Mitigation, good faith efforts, decarbonization plans, mediated resolutions
- Credit for Beneficial Electrification

– [Article 320 Information Guide](#)

■ [Article 321](#)

– [Rule 103-17](#)

- Guidance for inspection and documentation of Prescriptive Energy Conservation Measures
- Penalties for non-compliance

– [Article 321 Filing Guide](#) ([Templates](#) & [Template Instructions](#))

THIRD MAJOR LL97 PROPOSED RULE PACKAGE

- Offsets (LL97 Affordable Housing Reinvestment Fund)
- 320.7 Adjustments
 - External Constraints
 - Financial Constraints
- Biofuels
- Cogen
- Fees
- Clean-up

LOCAL LAW 97 OFFSETS REQUIREMENT

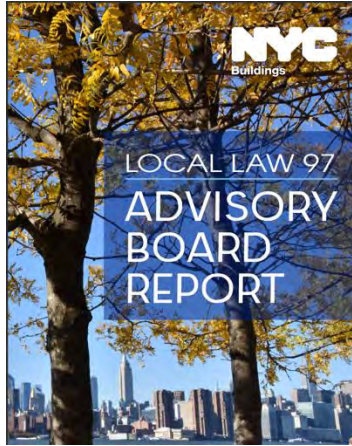
LL97 (§ 28-320.3.6.2) authorizes offsets for 10% of a building's annual emissions limit, which must be:

- Measured in metric tons of carbon dioxide equivalent
- Purchased, publicly registered, and retired
- Exhibit environmental integrity principles, including additionality (an offset project is not already required to reduce emissions by law)

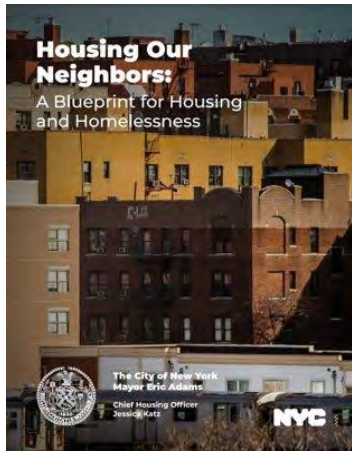
Pursuant to the federal government's [May 2024 Joint Statement of Policy and new Principles for Responsible Participation in Voluntary Carbon Markets \(VCMs\)](#), the core integrity principles for offsets include the following:

1. **Real and quantifiable:** Offsets must represent genuine atmospheric impact that is replicable and determined by a credible, transparent methodology.
2. **Permanent:** Emission reductions or removals are permanent if they are not reversible; that is, the emissions can't be rereleased back into the atmosphere.
3. **Additional:** Activities that would have happened without such offset are business-as-usual and do not represent new emission reductions.
4. **Verifiable:** Activity design is validated, and results are verified, by a qualified, accredited, independent third party.
5. **Unique:** One credit can only correspond to 1 tCO₂e emissions; as a result, it must be tracked, and it must be possible to enforce its ownership and to avoid double counting (usually done via a registry).
6. **Robust baselines:** Baselines for emissions reduction and removal activities are based on rigorous methodologies that avoid over-crediting.

AFFORDABLE HOUSING FUND HISTORY

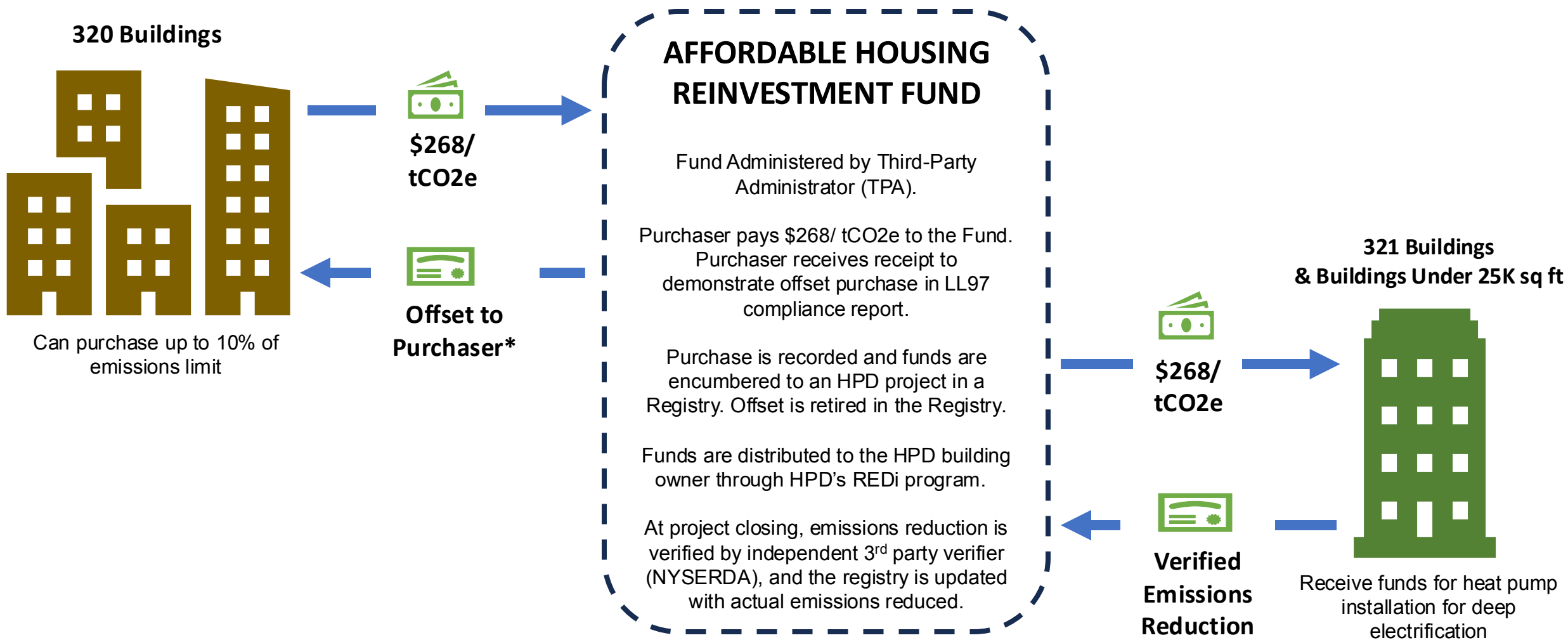


- The idea for an affordable housing fund was raised at the inception of the law during the legislative process, supported by stakeholders (real estate, environmental advocates) in submitted testimony on the legislation, and was an explicit recommendation in the LL97 Advisory Board Report.



- In the Housing Blueprint and PlaNYC, NYC commits to "fast-track equitable decarbonization and beneficial electrification to serve low-income households" and to "incubate new ideas to scale beneficial electrification & resiliency."

LL 97 OFFSET FUND MECHANICS



FUNDING FLOWS THROUGH HPD'S REDi PROGRAM

REDi is a joint HPD-NYSERDA program that is a successor to HPD's highly successful Retrofit Electrification Pilot, which has allocated funding to "beneficially electrify" more than 1,300 households in HPD's preservation pipeline

- REDi projects are subject to significant oversight by HPD and NYSERDA
- REDi funds supplement city dollars to meet the city's climate goals
- REDi has a huge pipeline of projects that are good candidates for electrification
- Adding Affordable Housing Fund dollars ensures HPD does not need to turn away low-income buildings where electrification provides multiple health, safety and climate benefits

Resilient & Equitable Decarbonization Initiative (REDi)

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Overview: To reach New York City and New York State's ambitious climate targets and to reduce the barriers to decarbonizing affordable housing, HPD's REDi program provides funding to build capacity and scale up equitable decarbonization, beneficial electrification, and resiliency within the HPD development pipeline and as outlined in HPD's Design Guidelines. The REDi program is a long-term joint HPD-NYSERDA initiative that builds on HPD's highly successful Retrofit Electrification Pilot and other joint programs and is an innovative model for streamlining access to financial and technical assistance from New York State. REDi funding is secured directly through HPD, without requiring an application to NYSERDA.

AFFORDABLE HOUSING FUND OFFSETS: METHODOLOGY

Every offset purchased will fund one ton of GHG emissions offset by a retrofit project in HPD's REDi program that is electrifying heating and hot water.

Purchase Price:

- Offset Purchase Cost: \$268/ ton

Offset Value:

- Each HPD electrification project will offset ~ 3 to 5 tons of GHG emissions per dwelling unit per year, over 20-years depending on the baseline fuel type and apartment size
 - Calculations are based on assumptions vetted by NYSERDA and compared against other sources
 - Calculations are based on the incremental savings compared to a "business as usual" HPD scope
- Funding levels will be set according to the methodology above to ensure that funding is sized appropriately to emissions reductions:
 - Funding amounts will vary based on a building's base fuel type (e.g., oil vs. gas)
 - Funding amounts are scaled to unit size (number of bedrooms)

28-320.7 ADJUSTMENTS

- Adjustment to the emissions limit due to:
 - External Constraints (3 years)
 - A constraint imposed by **another provision of law**, or
 - A **physical condition** of the building
 - Need a description of the constraint and everything done to achieve compliance
 - Financial Constraints (1 year)
 - Qualifying standards for:
 - **Co-ops and condos, non-profits, affordable housing or no debt, and all other buildings**
 - **NYC annual tax lien list**
 - Requirements to apply for adjustments:
 - Proof the building has availed itself of incentives (Accelerator)
 - Proof the building has purchased the max amount of offsets & RECs

320.7 ADJUSTMENTS: FINANCIAL CONSTRAINTS

Type of Building	Standard	Justification
Condos / Co-ops	Annual costs for owners have gone up an average of 5% above the rate of inflation over the prior 3 years	Reflects an increase considered significant and unlikely to be caused by routine increases in building expenses
Nonprofits	Negative revenue less expenses for the prior 2 years	Reflects language in LL97
Buildings with an affordable housing regulatory agreement or no debt	Income-expense ratio less than 1.05	Ratio (1.05) has been used by HPD/HDC as an equivalent threshold to a debt service coverage ratio (DSCR) of 1.15 for these types of buildings
All other buildings	Debt service coverage ratio less than 1.15	DSCR is the primary measure used by lenders and banks to determine if an entity can sustain its debt based on its cash flow, and a DSCR of 1.15 is commonly used to determine whether a building can qualify for a loan

BIOFUELS

- Defines “biofuel”
 - Biofuel means biodiesel and renewable diesel
- Adds a carbon coefficient for biofuels, aligns with EPA Standard
 - 0.00007389 tCO₂e per kBtu
 - Comparable to the coefficient to fuel oil
 - Streamlines coefficient for standard biofuels
- Preserves the ability for a building owner to propose a coefficient for any unique fuel type for DOB review

LEGACY COGENERATION: ALTERNATIVE GHG COEFFICIENTS

- Alternative Methodology available for “qualifying generation systems”:
 - Three criteria:
 - Minimum operating efficiency – as efficient or better than current electric grid conditions
 - Maximum NOx limit – set to threshold of recent incentive programs
 - Existed prior to September 1, 2024
 - Additionally, specific exceptions for the following qualifying systems:
 - Cogen serving critical facilities (i.e. hospitals)
 - Cogen systems in areas designated by DOB with unreliable and/or inadequate grid generation capacity, as verified by Con Ed
- Result:
 - Allows coefficient for grid electricity and steam (system output) to be used in lieu of gas (system input)
 - Eliminates a burden for these systems only for as long as they are cleaner than the grid
 - Methodology phases out by 2030, based on renewables entering the grid

FEE RULE

<u>Filing fee for reporting required upgrades to lighting systems and required installation of electrical sub-meters.</u>	<u>\$115</u>
<u>Filing fee for annual building emissions reports</u>	
• <u>Simple Reports</u>	<u>\$210</u>
• <u>Complex Reports</u>	<u>\$615</u>
• <u>Extension</u>	<u>\$60</u>
• <u>Good Faith Efforts Report</u>	<u>\$950</u>
<u>Annual Emission Limits Compliance Reports for Certain Buildings (Rent Regulated Accommodations)</u>	
• <u>Compliance Report</u>	<u>\$210</u>
• <u>Mediated Resolution Reports</u>	<u>\$800</u>
<u>Filing fee for application for adjustment to the annual building emissions limit pursuant to 28-320.7</u>	
• <u>External constraints</u>	<u>\$3,540</u>
• <u>Financial constraints 1</u>	<u>\$690</u>
• <u>Financial constraints 2</u>	<u>\$300</u>

LEGACY GENERATION: FORMULA FIX

- Correction to existing formula for on-site electric generating equipment
 - Allows systems to account for electricity sent back to grid
 - Electricity must be cleaner than grid to be accounted for in the owner's favor

LL87 (ENERGY AUDITS/RCx) AMENDMENT

- LL87/2009 - Energy Audits & Retro-Commissioning Rule
 - Required for buildings over 50,000 square feet every 10 years
 - Penalties for late filings - \$5000, 1st year; \$3000 subsequent years
- Amending existing rule to:
 - Allow a new credential for qualified energy auditors
 - Energy Management Professional Certification offered by the Energy Management Association
 - Allow DOB to accept report without collecting outstanding penalties
 - Aligns with other DOB enforcement

NEXT STEPS FOR IMPLEMENTATION

Next Steps (before first compliance report is due 5/1/25)

- Agency Rulemaking
 - Hearing November 7th
 - Consider testimony and publish final rules
- Update Guidance
 - Add updates to the Article 320 Information Guide based on rules
 - Publish new guidance on Offsets and 320.7 Adjustments
- Finish developing LL97 reporting portal
 - Publish brief on information needed for compliance report
 - Testing with stakeholders

LL97 REPORTING PORTAL

- Building Energy Analysis Manager (BEAM) Platform
 - Will receive all future compliance submissions:
 - Annual emissions reports (Article 320)
 - 320.7 Adjustment applications
 - Article 321 compliance reports
 - Access to data from:
 - EPA ESPM and
 - DOB NOW (Filing Fees and Payment of Penalties)
 - Automation of most calculations
 - Templates will be provided for certain deductions/credits
 - Allows for Owners/Owners Rep./Service Provider (RDP/RCxA) to:
 - Input reporting information, upload documentation, attest and submit compliance report
 - DOB Enforcement communications will happen through BEAM with penalty payments in DOB NOW

Question & Answer

Please submit any questions you'd like to ask our panelists using the Zoom Q&A function in your webinar window

How to Submit Comments

Written comments are due by November 7 and can be submitted:

- By email at dobrules@buildings.nyc.gov
- Online at the NYC Rules website: <https://rules.cityofnewyork.us/>

Verbal comments can also be shared at DOB's public hearing on November 7

- Sign up to speak by emailing dobrules@buildings.nyc.gov by October 31

See [here](#) for more details on how to submit comments, register for the hearing and to read the full set of proposed rules.



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Thank you!



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