



We have the funds and the tech – NYC just needs energy efficiency project sponsors - by Walter King

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These are totally unprecedented times for commercial real estate (CRE) in New York City. Aside from the obvious effects of COVID-19 and related shutdowns of entire office buildings, NYC is about to get really tough on inefficient buildings and the landlords who own them. Indeed, if you're a landlord in NYC and you scan the regulatory horizon, you'll see a cresting tidal wave of new requirements and fines if you fail to reduce carbon emissions and other climate change contributors.

Many of these fines will derive from Local Law 97 (LL97), the city's landmark carbon tax that's set to take effect in 2024. Keep in mind that this is an incredibly comprehensive legislative effort—arguably the most ambitious in the world—to tackle emissions from existing buildings. LL97 will apply across all of New York City with a goal of reducing building-based emissions 40% by 2030. By imposing targeted energy usage for each building, LL97 ensures that properties exceeding this limit will trigger increasingly serious fines.

The Biden Administration, meanwhile, is creating entirely new sustainability goals that will have equally wide-ranging impact on commercial buildings.

Building owners should be preparing aggressively right now to comply with these new requirements. Of course, any push for building upgrades immediately suggests the accompanying pain-point of added costs. Outfitting a building with the latest in energy efficiency systems represents a sizable investment for any landlord, and the requirements of LL97 are so ambitious that building owners know they can't sneak by with cheap fixes around the edges. LL97 is the real deal, and complying with it means spending real money on real upgrades.

Nonetheless, building owners should take heart in the knowledge that help is readily available and comes in the form of robust incentive programs. In fact, for energy efficiency projects within New York City, an array of incentives is on offer right now.

Utilities are leading the way in sponsoring comprehensive incentive programs for energy efficiency projects. In New York City, local utility ConEdison is offering incentives that in many cases cover up to 70-80% of the cost of a "Healthy Building" ventilation system—one of the key components to complying with LL97. If LL97 is government brandishing a threatening stick, then ConEd is surely the delicious carrot for building owners.

It's notable how innovative ConEd has become with its rebates and incentive programs. Of course, the utility is right in the middle of the push towards "electrification"—the key to accomplishing many climate-related goals—and NY state's broader push to become carbon neutral by 2050. Unless ConEd can reduce demand enough to get a sufficient amount of power load out of the grid, that goal won't happen (nor will Indian Point nuclear power plant get decommissioned—ever).

ConEd's huge rebates for healthy buildings and energy efficiency are part of this push. They're interested in substantial projects, and are willing to pony up to incentivize project sponsors.

Some companies have seized this unique opportunity, but many eligible businesses have yet to take advantage. CRE building owners in New York City know they have to meet the looming requirements of LL97. ConEd is offering huge rebates for the exact type of projects necessary to upgrade buildings so they are compliant with LL97. It seems like a match just waiting to happen.

It's fair enough to point to COVID-19 and its crushing impact on discretionary budgets. Even at a robust savings rate like that offered by ConEd, any dollars spent must come from budgets that are historically challenged. We all understand that tension. But building owners understand that they must do these upgrades—whether now or in the immediate future.

The time is now for building owners to step up and use this silver bullet available to them.

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